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Clinton and Major agree on terms for Sinn Féin talks

British prime minister John Major patched up a week old rift with the US over Northern Ireland. In a 25-minute telephone conversation, Mr Major and President Bill Clinton agreed that progress towards the decommissioning of IRA weapons was essential before talks between British ministers and Sinn Féin, the IRA's political wing, could start. Sinn Féin claimed talks were likely to begin within two weeks. Page 16

Investors may act against Barings: The Association of British Insurers is considering legal action against directors of Barings to recover some or all of the £100m ($164m) which its members invested in bonds issued by the bank. Page 19

Social Democrats ahead in Finland: Finland's Social Democratic party was last night poised to return to power after the centre-right government of Mr Esko Aho lost ground in yesterday's general election. Page 16

US bishops attack welfare plans: US Roman Catholic bishops attacked the welfare reform plan the Republican party will bring to a vote in the House of Representatives this week. Page 5

Israelis killed in bus ambush: Palestinian gunmen ambushed an Israeli bus in the West Bank town of Hebron on Sunday, killing two Jewish settlers and injuring five others, security sources said. Israeli rate reduction follows tax cuts, Page 4

Mexico increases VAT: Mexico is to increase value added tax from 10 to 15 per cent to provide extra revenues to implement an emergency economic programme announced 10 days ago. Page 5

Oil deals that crippled a giant

The German business community was badly shaken when Metallgesellschaft nearly came to grief over US oil trading. Andrew Fisher traces the story of Germany's biggest postwar corporate upset as shareholders prepare to clamour for more news about their company's fate, more than a year after its near collapse, at the annual meeting in Frankfurt on Thursday. Page 18

Second blow for Afghan rebels: Afghan government troops ousted opposition Taliban militia from a strategic base near Kabul, inflicting the second heavy defeat in a week on the Islamic force. Page 4

Japan launches satellites: Two satellites launched by Japan are heading for separate orbits. One will be retrieved by a US space shuttle after several months of experiments and the other will gather meteorological data. Countdown to success, Page 14

Sequent Computer pulls out of Bull bidding: Sequent Computer of the US, one of four companies that had been expected to enter bids to acquire stakes in Groupe Bull, the French computer group, said it would not submit a bid. Page 20

Italian groups back Gemina rights issue: Italy's biggest companies have rallied round to support Gemina, the Italian investment company, which will today launch a L1,526bn ($880m) rights issue into a nervous Italian stock market. Page 20

BAA to list shares in Australia: British airports group BAA, which is eager to win stakes in Australia's airports, is to list its shares on the Australian stock exchange. Page 19

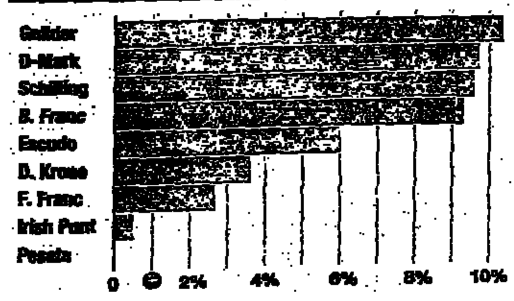
Payments crisis halts Bombay exchange: The Bombay stock exchange, India's biggest, ordered a one-day suspension of trading today while it examines a possible payments crisis sparked by the default of a local broker. Page17

£1.3bn restructuring for Queens Moat: Heavily indebted UK hotels group Queens Moat Houses is preparing to write to shareholders with the news that its 74 lenders have agreed to a £1.3bn ($2.13bn) debt restructuring. Page 19

Labour says more than 1m on low pay: A survey by Britain's opposition Labour party shows that more than 1m people in Britain earn less than £2.50 ($4) an hour. Page 6

European Monetary System: The Irish punt and Spanish peseta vied for bottom place in the EMS grid last week as the gap between strongest and weakest currencies again moved above 10 per cent. There were reports of the central banks of Spain and Portugal supporting their currencies. The Irish punt fell to a record low against the D-Mark, as did sterling and the lira, outside the EMS. Santer urges G7 to act, Page 3; Gloomy week expected, Page 16; Currencies, Page 25

EMS: Grid March 17, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1,250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira50	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.80	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Yeltsin lifts curtain on backstage Bolshoi battle

By Chrystia Freeland in London

A national drama is being played out at the Bolshoi, Russia's renowned ballet and opera theatre – but its principals are not the exquisite, strenuously trained classical ballerinas the Bolshoi has produced for centuries.

Instead, the Bolshoi has become the focus of a political battle with such national reverberations that it has attracted the intervention of the country's two most powerful leaders, President Boris Yeltsin and Mr Victor Chernomyrdin, the prime minister.

The battle at the Bolshoi, whose general director was dismissed by presidential decree last Friday, is high culture's version of the convulsions that have been wracking all Russia's leading economic and political institutions as the country attempts to shrug off communism.

Like the Russian industrial giants which the country's general economic malaise has driven to ever more frequent work stoppages, the Bolshoi's finely honed *corps de ballet* has been paralysed by the traumatic transition from an authoritarian, centrally planned system to the more chaotic rules of Russia's nascent market economy.

But while Russians have become accustomed to the frequent outbursts of industrial unrest that are a symptom of their country's painful economic metamorphosis, they have cherished the hope that their vaunted high culture might remain immune.

That illusion was shattered this month when Bolshoi ballerinas, borrowing from the repertoire of the unpaid coal miners in Vorkuta, went on strike, forcing the cancellation of a Bolshoi performance for the first time in the company's 219-year history.

The infuriated general director of the Bolshoi, Mr Vladimir Kokonin, responded by suspending the 14 ballerinas he blamed for organising the strike and filing a legal challenge against them which is due to be heard by a Moscow court today.

But the prospect of ballerinas on the picket lines and in the dock was apparently too much for Mr Yeltsin. The symbolic collapse of one of Russia's flagship cultural institutions prompted the Russian president to issue a decree sacking Mr Kokonin.

His dismissal was applauded by the striking ballerinas, who had walked out after the resignation of Mr Yuri Grigorovich, the theatre's chief artistic director and choreographer, and Mr Kokonin's nemesis. Mr Grigorovich, whose ballerina wife, Ms Natalia Bessmertnova, led the strike, attributed his resignation to conflicts with Mr Kokonin.

The feud between Mr Kokonin and Mr Grigorovich has split Moscow's artistic world and the Bolshoi itself. Mr Yevgeny Sidorov, minister of culture, blamed Mr Kokonin for the Bolshoi's travails and accused him of displaying "an independence that borders on dictatorship".

But a former Bolshoi prima ballerina Ms Maya Plisetskaya, who now lives in Munich, levelled the same accusations against Mr Grigorovich. "Dictatorship has reigned in the Bolshoi for many years," she said. "Such autocratic power corrupts people and Grigorovich was no exception." Ms Plisetskaya praised Mr Kokonin as "the only director who raised his voice against the tyrant".

The personal animosity between the Bolshoi's two dismissed leaders was driven by the same financial considerations that today trouble less flamboyant sectors of the Russian economy, and will linger on to haunt Mr Vladimir Vasilyev, the dancer appointed by Mr Chernomyrdin on Saturday as the Bolshoi's new

Continued on Page 16

Europe signals support for non-aggression accord to ease expansion

EU may back Nato-Russia pact

By Lionel Barber in Carcassonne

The European Union indicated yesterday that it was in favour of Nato's signing a non-aggression accord with Russia to blunt Moscow's opposition to the military alliance's expansion into central Europe.

The European approach, which is likely to displease the US, was agreed informally at a meeting at the weekend of EU foreign ministers in the walled fortress town of Carcassonne, in south-west France.

The US, which is pressing hardest for early enlargement, is traditionally nervous about a European "caucus" taking up joint positions inside Nato without prior discussion.

It is also wary of blurring the lines of responsibility between Nato and the EU, which remains a political organisation with no formal military capability. Four EU states – Sweden, Finland, Ireland and Austria – are not Nato members.

However, Europe's assertiveness reflects unease about putting Nato membership for countries such as Poland or the Czech Republic on a fast track in case it provokes a negative reaction from Russia.

Mr Alain Juppé, the French foreign minister who chaired the talks, said Europe and the US agreed that it would be wrong to isolate Russia. But in a warning to Washington he added: "If there is enlargement, then it will be agreed by 16 countries, not by one country."

Mr Douglas Hurd, UK foreign secretary, played down the risks of friction with the US. All decisions on enlargement would be taken within the Nato forum, he said.

The European move is the latest development in the debate on how the west should construct a political, economic and military relationship with post-Soviet Russia while drawing its former communist satellites in eastern Europe closer to the west.

The timing is sensitive because President Bill Clinton is about to set out ideas on Nato expansion in an exchange of letters with President Boris Yeltsin of Russia. Mr Warren Christopher, US secretary of state, is due to meet Mr Andrei Kozyrev, Russian foreign minister, in Geneva on Wednesday.

The US has signalled its readiness to offer assurances to Russia to allay fears of western encirclement, but is reluctant to make commitments that would undercut the promised bilateral defence treaty to future Nato members, including a nuclear guarantee. Like the Europeans, it opposes what would in effect be a Russian veto on which countries join Nato.

In a further sign of European interest in improving relations with Russia, the majority of EU foreign ministers appeared ready to move ahead with a trade agreement next month. The deal has been held up because of human rights concerns in the breakaway Chechen repubic.

Mr Hurd suggested that the deal could proceed if progress was made towards allowing the Organisation of Co-operation and Security in Europe to establish a permanent presence in Chechnya with a view to holding elections and an agreement on autonomy from Moscow.

Russia is supposed to sign two documents setting out the terms of the relationship with Nato inside and outside the Partnership for Peace (PFP), a programme of military co-operation offered to all Nato's former adversaries, but has delayed because of worries over Nato enlargement.

The alliance is due to draw up a report by September on the how and why of enlargement of Nato, followed by individual presentations to PFP members – the first time such detailed discussions have taken place outside the alliance. In December, Nato ministers will review the results before deciding how to proceed.

Santer urges G7 to act on currencies, Page 3

European foreign ministers relax during their informal meeting in Carcassonne: (from left) Germany's Klaus Kinkel, Britain's Douglas Hurd, Hans Van Den Broek and Hans Van Mierlo from the Netherlands and Niels Helweg Pedersen from Denmark Picture: Reuter

Extra $200m bill for Crédit Lyonnais rescue

By Andrew Jack and David Buchan in Paris

The French state may have to find more than FFr1bn ($197m) to pay to lossmaking Crédit Lyonnais, the country's biggest bank, during the first year of the rescue package it announced at the end of last week.

In spite of assurances from the government that the new plan would bring no additional costs to the taxpayer, the structure to be put in place appears to require the state to pay money to the bank during the early stages of the refinancing.

Details of this new obligation are likely to trigger intense debate in France, as a number of politicians and rival bankers have expressed concern during the past few days about the further bail-out to save the bank, which is to report losses for 1994 of FFr12bn.

The plan is to be discussed over the next few weeks in the finance committees of both the Assembly and the Senate, and some politicians have called for an extraordinary debate in parliament.

The news emerged as Crédit Lyonnais began to gear up for an accelerated restructuring in line

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Tapie's football bribery alibi collapses as mayor admits lie

By David Buchan in Paris

The football bribery trial of Mr Bernard Tapie, the French MP and former boss of the Olympique de Marseille team, has taken a further twist with the collapse of an alibi provided by Mr Jacques Mellick, a former Socialist minister. Mr Mellick is now to stand trial on charges of intimidating witnesses.

Mr Mellick, a leftwing deputy who is also mayor of the north-eastern French town of Béthune, admitted in court on Saturday that he had earlier lied under oath about having a meeting in June 1993 with Mr Tapie. A conservative MP has demanded that the National Assembly be called out of its spring recess to impose sanctions on Mr Mellick.

The allegations of match-rigging against Mr Tapie turn crucially on the claim by Mr Boro Primorac, the former trainer of the Valenciennes football team, that on June 17 1993 Mr Tapie came to his office and tried to bribe him into "pulling" the match that Valenciennes was about to play against Olympique de Marseille. Mr Tapie appeared to have an alibi, when Mr Mellick claimed to have met Mr Tapie at exactly the same time in Mr Tapie's offices in Paris.

Reacting with characteristic bravura to the setback, Mr Tapie said Mr Mellick's claims had never been central to his defence and that he continued to contest the charges. Prosecutors allege that the bribes, which several Valenciennes players admit to receiving, were designed to avoid over-straining Olympique de Marseille in its forthcoming European Cup final against AC Milan five days later. Marseille won both matches.

Mr Mellick's admission came after his former aide, Ms Corinne Krajewski, said on Friday that he had put pressure on her to stick to their fictitious story of a June 17 meeting with Mr Tapie in Paris. In confessing his lie, Mr Mellick, however, denied that he had exerted any pressure on his former aide.

The mayor's version of events started to unravel when the local Béthune newspaper printed a picture of him at a local trade union reception, with a caption giving exactly the date and time when Mr Mellick claimed to be in Paris.

Mr Mellick's son said that his father's earlier attempt to protect Mr Tapie was motivated by a desire to safeguard jobs in a Béthune-based company owned by Mr Tapie.

Mr Tapie is appealing against a court ruling that by declaring him personally bankrupt he would, in effect, be barred from elected office for five years. Despite being removed by the French football authorities last year as president of Olympique de Marseille, Mr Tapie has been touting himself as a possible candidate for mayor of that city in this June's municipal elections.

What is all the fuss about in English football?, Page 8

CONTENTS

EU urged to adopt tougher car safety tests

By Caroline Southey in Brussels and John Griffiths in London

Consumer groups and motoring organisations are fighting to persuade the European Commission to toughen its proposals for testing how cars behave in a crash.

They claim the proposals are not rigorous enough and alternative procedures could prevent 90,000 deaths and injuries a year.

Attempts will be made in both the European and UK parliaments today to make the Commission amend a series of proposed revisions to the crash test procedures.

The side and front impact tests preferred by the Federation Internationale de l'Automobile, the worldwide motoring organisation, and backed by some consumer groups are strongly opposed by the European Automobile Manufacturers Association (ACEA), which supports the Commission's proposals for the introduction of new crash tests in two stages.

The AECA says manufacturers are already undertaking safety programmes involving up to 450 crash tests each a year. It claims that the two-stage approach advocated by the Commission provides immediate safety benefits.

If the FIA's proposals were introduced, the European motor industry could face significantly increased costs in meeting the test requirements.

The Commission is proposing a frontal impact test against an angled barrier as the next step on from the head-on crash test which has remained unchanged since 1974. Only a minority of current vehicles would pass the angled barrier test. The test would be introduced in October 1995 for new vehicles and by October 2000 for all vehicles in production. The second stage test – which simulates a car unsuccessfully trying to avoid an approaching vehicle – would be introduced between 1998 and 2003. Side impact tests would be introduced in two stages between October 1995 and 2004.

The FIA and its allies maintain that the stage two proposals only should be adopted and that they should be introduced in 1998. The lack of immediate benefits from stage one, they maintain, would be more than offset by the swifter move to stage two.

The FIA and consumer groups maintain that the interim step proposed by the Commission does not represent a substantial safety advance and that implementation of stage two could be delayed until well into the next century by attempts to amend legislation further after the adoption of stage one.

The issue is to be debated in the European Parliament's economic and industrial committee this afternoon and is the subject of a private member's bill being tabled in the UK parliament today.

The decisions on the Commission's proposals will be subject to the European parliament's co-decision procedures.

Co-decision, introduced under the Maastricht treaty, gave the European parliament power to block legislation. Where it is blocked because no agreement can be reached between member states and parliament, a "conciliation committee" is set up, with representatives of both sides.

Crimea cautious as Kiev asserts control

By Matthew Kaminski in Kiev

Political leaders in Crimea at the weekend appealed for Russian help but took no retaliatory steps against Ukraine's consolidation of power in the autonomous Crimean peninsula.

Crimea's parliament, elected last year on thinly veiled promises of reunion with Russia, adopted a cautiously worded declaration urging president Boris Yeltsin to "take account of the interests of Crimea" in talks with Ukraine on a co-operation treaty. The statement added that Crimea "would never give up its constitution" but did not specify any course of action.

The stand-off follows Crimea's refusal to bring its laws into line with those of Ukraine. The frosty relations culminated in Ukraine's decision last Friday to abolish the republic's constitution and sack its president, Mr Yuri Meshkov.

An important aspect of the conflict involves the battle over privatisation in Crimea. Last Thursday Crimea approved privatisation laws only to see Kiev claim control over potentially large asset sales and revenues.

Simferopol, the Crimean capital, was quiet yesterday. About 200 Ukrainian riot police, dispatched on Friday after the announcement by Ukraine's president Leonid Kuchma, disarmed Mr Meshkov's security guard and patrolled the streets. Reports of troop movements were denied by Ukrainian officials.

Transferred to Ukraine in 1954, the peninsula of 2.7m people, predominantly Russian and home to the jointly shared Black Sea Fleet, has been a focal point for Russian-Ukrainian tensions since the Soviet Union's collapse in 1991.

But Mr Kuchma's electoral victory last summer, supported by a majority of Crimean voters, and a messy internal political battle between Crimea's parliament and Mr Meshkov, undercut the region's attempts at greater autonomy and paved the way for President Kuchma's move last week.

Both Mr Meshkov and the Crimean parliament are unpopular in the region and are blamed for failing to improve the economy.

In Moscow, a Russian parliamentarian at the weekend called for sanctions against Ukraine but the chairman and deputy chairman of the chamber said Crimea was an internal Ukrainian matter.

"There can be no denying that Russia has a whole series of interests in Crimea," Mr Mikhail Mityukov, deputy chairman of Russia's parliament, told Interfax. "But we respect and will continue to respect Ukraine's territorial integrity and existing borders."

Western diplomats noted the Crimean crackdown was well organised and apparently directed by Ukraine's acting premier, Mr Evgeny Marchuk, a tough ex-KGB chief.

Meshkov: ousted

Hungary and Slovakia lead stability drive

By Virginia Marsh in Budapest

Hungary and Slovakia yesterday signed an historic bilateral treaty aimed at resolving long-standing disputes over borders and minority rights ahead of a European Union conference on regional stability which opens in Paris today.

The two countries and other former East Bloc states in dispute with their neighbours have been under intense western pressure for several months to resolve as many outstanding issues as possible before today's conference on stability in post-communist Europe.

The conference is being hosted by France, which holds the six-month presidency of the EU. It will bring together foreign ministers of the EU, eastern European leaders and members of the 53-nation Organisation for Security and Co-operation in Europe, a pan-European organisation which also includes the US and Canada.

Some 80 bilateral and multilateral accords on issues ranging from border disputes between Hungary and Slovakia to the status of Russian minorities in the Baltic States are due to be wrapped up at the two-day conference.

These have been agreed in the past year since Mr Edouard Balladur, the French prime minister, launched the "Stability Pact", a French initiative within the EU.

Western nations have made clear to countries in eastern Europe that they will not be admitted to the European Union or Nato until they resolve regional disputes and last year set the Paris conference as a deadline.

This pushed Hungary to re-open stalled treaty talks with Slovakia and Romania which, after weeks of difficult negotiations, culminated in an agreement between Mr Gyula Horn, the Hungarian prime minister, and Mr Vladimir Meciar, his Slovak counterpart, at a seven-hour meeting last Thursday.

Negotiations between Hungary and Romania failed to produce agreement on Thursday but Mr Horn last night held talks in Paris with Mr Nicolae Vacaroiu, Romanian prime minister, aimed at concluding a similar treaty in the near future.

Both Romania and Slovakia have been been home to large ethnic Hungarian minorities since the carve-up of the Austro-Hungarian empire at the end of the first world war.

Fear of Hungarian irredentism for its lost territories and concern for the status of Hungarian minorities there have soured Budapest's relations with Bucharest and Bratislava and have been a source of regional instability ever since.

Monitoring of the agreements signed in Paris will be entrusted to the OSCE which is attempting to carve out a greater role as a regional security organisation.

The conference will also discuss western aid to underpin the agreements. This will include financing for regional transport, cultural and education projects.

Lifestyle tax sparks outrage among Greeks

Kerin Hope on the Socialist drive to mend holes in the fiscal net

Equipped with a laptop computer and a software package for calculating income tax obligations, Mr Giorgos Stasinopoulos, an unemployed civil engineer, has built up a thriving tax consultancy practice in recent weeks.

The Socialist government's new effort to reduce tax evasion not only requires every adult Greek to file an income tax declaration this year but computes taxable income on a complicated system of "objective wealth indicators" based on the lifestyles of high earners.

The indicators apply both to work and leisure, ranging from ownership of a summer villa or yacht to credit card spending levels, or the number of receptionists and assistants employed by a doctor or architect in private practice.

For Greek farmers, included in the tax net for the first time, the indicators are based on acreage and levels of European Union subsidies for the crops they grow.

Mr Stasinopoulos says he is deluged with work "from farmers and small businessmen in the town where my parents live who've never had to fill out a tax form before or find the regulations on wealth indicators too complicated to handle on their own".

The new tax measures have provoked outrage in provincial towns, partly because incomes have been steadily eroded by three years of recession, but also because the finance ministry's writ never used to extend far beyond Athens.

> The Finance Ministry's writ never used to extend far beyond Athens

Although the deadline for filing tax declarations expired on Saturday, more demonstrations are planned this week by shopkeepers and restaurant owners who say they object to paying more tax for 1994, when Greek retail turnover rose by less than 1 per cent in real terms, and by farmers angered at losing their traditional income tax exemption.

The finance ministry argues that broadening the tax base to include farmers, who still make up 20 per cent of the workforce, is long overdue. Agricultural incomes soared after Greece joined the EU in 1981 thanks to high support prices for crops, while farming families in tourist areas have acquired a lucrative second income from renting rooms and running tavernas.

Mr Manolis Stefanakis, who grows olives and grapes in central Crete while his wife and son run a small hotel, says: "There are hardly any subsistence farmers left here and some families make the equivalent of a professional's salary, even in a bad year."

However, the main targets of the government's drive to boost income tax revenues by 30 per cent this year are self-employed professionals and skilled workers, who make up almost 40 per cent of the workforce but contribute only 28 per cent of receipts from direct taxation.

Mr Alex Papadopoulos, the finance minister, made a point of resisting threats and appeals for more lenient wealth indicators from influential trading and professional associations such as lawyers, journalists and doctors with a track record of winning tax concessions from the government.

He has also demanded a one-off tax payment from more than 500,000 self-employed businessmen and professionals in return for a promise their tax returns for the past 10 years would not be subject to investigation. The rush to pay up appears to reveal a strong sense of guilt among Greek taxpayers.

Mr Papadopoulos forecasts that despite obstacles like the finance ministry's inadequate computer system, which limits cross-checking of tax returns, and a tradition of corruption among tax inspectors, the new measures will raise an extra Dr250bn (£668m) in revenues this year, equivalent to 1.5 per cent of gross domestic product.

Such optimistic projections carry more weight following the finance ministry's success in balancing the budget last year. With revenue growth in VAT and corporate tax receipts lagging far behind expectations, an emergency revenue-raising scheme offering automatic settlement for several hundred thousand tax disputes brought in Dr140bn to cover the shortfall.

But given the Socialists' determination to avoid spending cuts, the drive to boost tax revenues must continue at full tilt if Greece is to achieve this year's target of cutting government borrowing from 12.5 per cent to 10.5 per cent of gross domestic product and keep its economic stabilisation programme on track.

NEWS: EUROPE

Santer urges G7 to act on currencies

By Lionel Barber in Carcassonne

Mr Jacques Santer, president of the European Commission, yesterday called for an initiative by the Group of Seven industrialised nations to restore order to the world's currency markets.

In an appeal to the US and Japan, Mr Santer said it was time to revive the international co-operation of the mid-1980s such as the Plaza accord, which engineered co-ordinated intervention and a managed decline of the dollar.

Mr Santer's call for a "Plaza Two" were made after a weekend meeting of EU foreign ministers in Carcassonne, south-west France. Today European Union finance ministers meet in Brussels, amid continuing strain inside Europe's exchange rate mechanism.

His remarks reflect mounting frustration in Brussels as financial market operators have profited from selling the dollar and buying the D-Mark, triggering falls in sterling, the Spanish peseta, the French franc and the Italian lira.

The Commission is alarmed that the sharp decline in these currencies is undermining the single European market because some member states may be earning an unfair comparative advantage through their exchange rate, at the expense of countries such as France and Belgium which are committed to tracking the D-Mark.

However, there appears to be little public enthusiasm among EU member states for a fresh initiative. Mr Alain Juppé, the French foreign minister, who chaired the weekend meeting in Carcassonne, conspicuously failed to endorse Mr Santer's approach, while Mr Douglas Hurd, UK foreign secretary, offered no comment.

Mr Santer said the upheaval in the currency markets underlined the need to advance to an economic and monetary union by the end of the century. But he stressed that there should be no dilution of the stiff targets for budgetary discipline required for Emu membership.

Mr Santer made clear yesterday that he did not view a rise in interest rates as justified by economic fundamentals. Volatility in the international markets was going beyond the limit necessary to ensure the adequate functioning of the international financial and monetary system, he said.

Mr Santer, a former prime minister of Luxembourg, is more relaxed about the power of financial markets than Mr Jacques Delors, his predecessor as Commission president.

But he has clearly been unsettled by the events of the past week. Ten days ago, he told Commission colleagues at their regular weekly meeting that he would dearly like to teach speculators a once-and-for-all lesson.

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French candidates fight on common EU ground

David Buchan assesses the policies toward Europe of the leading presidential contenders

The new French president who chairs the European summit in Cannes in June will believe in a more assertive Europe in political, commercial, monetary and cultural terms, but does not want to achieve this through building a federal union. In short, a strengthening of policies, but not of institutions.

This much is common ground to the main three candidates – the two Gaullists, Mr Jacques Chirac and Mr Edouard Balladur and the Socialist Mr Lionel Jospin. This consensus reflects their own temperaments and the mood of the French electorate, which has not favoured candidates who have wanted to make more of an election issue out of Europe.

A succession of pro-European politicians have ruled themselves out of the race. The case of Mr Jacques Delors, the ex-European Commission president, was special because he excused himself from an election that the polls showed he could win. But Mr Valéry Giscard d'Estaing, the former president and co-creator in 1979 of the European Monetary System, and Mr Raymond Barre, former prime minister and European Commissioner, found little support for their federalist leanings.

Denied these opponents, the campaign of the anti-Maastricht candidate, Mr Philippe de Villiers, has not prospered. Mr Jean-Marie Le Pen, the National Front leader, and Mr Robert Hue, the Communist candidate, also oppose Maastricht, but because they have wares to peddle to the voters, they out-poll Mr de Villiers in the opinion surveys.

Nonetheless, the main candidates still offer a menu of some choice.

● Monetary union. This is the most important issue because of the way it drives domestic economic policy. All three say they support economic and monetary union (Emu). But while Mr Balladur claims that he can reduce France's budget deficits in time to qualify for Emu by 1997, relying on spending cuts and on growth rather than tax increases to bring in more revenue, the other two offer no timetable and can therefore stay deliberately vague about the deficit.

This reticence is more surprising from Mr Jospin, who has Mr Delors on the masthead of his campaign committee. But the Socialist candidate shares the concern of the UK Labour party that the Maastricht treaty takes insufficient account of growth and job needs. He would not want to prepare France for Emu in 1997 if that meant taking excessive deflationary measures.

For his part, Mr Chirac dropped his idea of holding a referendum on adopting a single currency, on being reminded that France had already held a referendum on Emu in 1992. Last week he was merely calling for "a real national debate" on the issue.

All three candidates share the strong French hankering for the pre-1972 monetary stability of the Bretton Woods system, and suggest that with the advent of Emu, Europe should use its greater monetary weight in the world to press its partners, essentially the US and Japan, into discussing reform. Only Mr Jospin has a plan, borrowed from the American economist, Professor James Tobin, to put a 0.1 per cent tax on capital movements and to place the proceeds in a currency stabilisation fund.

● Future EU integration. All three candidates accept the fact, even the desirability, of enlarging the EU in a way that would have been unthinkable at the last presidential election, held 18 months before the fall of the Berlin wall. Subjecting French farmers to unbridled competition from cheap imports from eastern Europe is, however, another matter. In particular Mr Chirac, who adored his 1972-74 stint as agriculture minister and has portrayed himself as the farmers' friend ever since, recalled last week the importance of maintaining Europe's protection against food imports, and its "vocation" as a food exporter.

All three candidates pay obeisance to France's core relationship with Germany and to the need for the Franco-German motor to continue to drive the European omnibus. Mr Balladur has said the 1963 Elysée treaty between the two countries should be updated to foster even closer co-operation, while Mr Chirac has promised that he would move in lockstep with Chancellor Helmut Kohl at next year's EU inter-governmental conference. Last week Mr Jospin made up for the fact that he knows Mr Kohl less well than his Gaullist rivals by paying a visit to Bonn.

All three accept a more fluid pattern of EU integration, in which clusters of member states move ahead in areas such as money and defence that particularly interest them to form "hard cores", open for other states to join later. The Gaullist candidates see in the UK an ally on defence and institutional issues, while the Socialist appears slightly frosty towards Mr John Major's Britain. Queried last week what place he saw for tighter links with Britain, Mr Jospin retorted: "Ask Mr Chirac or Mr Balladur, they both worked for Pompidou", the French president who presided over Britain's entry into Europe. The Socialist candidate dislikes UK conservative opposition to EU social legislation, which he cherishes more than his Gaullist rivals.

● EU institutions. All three candidates focus their reform ideas on the council of ministers. But the two Gaullists want to give big countries such as France more clout in it, while Mr Jospin believes the council should take more decisions by majority vote, implying a greater willingness to tolerate France being outvoted. French lack of interest in boosting the powers of the European parliament or Commission will – whatever Mr Chirac says – impede a common position with Germany in the inter-governmental conference. Important to all candidates is that EU institutions should continue to work at least partly in French.

But in terms of influencing the election outcome, there is probably only one significant difference. It lies in the fact that while both Mr Balladur and Mr Jospin give the impression of trimming the increasing European and international constraints on France's behaviour, Mr Chirac challenges these restraints, at least rhetorically. Last Friday, he was again hammering away against the "idea that international competition and economic constraints totally remove our margin of manoeuvre". Mr Chirac's suggestion that he could untether France and somehow set it freer undoubtedly account for some of his lead in the polls.

Germans to put pressure on Major over Europe

By David Marsh, European Editor

Mr John Major, the British prime minister, will today face pressure from Germany to accept greater powers for the European parliament and an extension of majority voting for EU governments' decision-making.

Mr Wolfgang Schäuble, second-in-command in Chancellor Helmut Kohl's Christian Democrat party, will urge Mr Major during a visit to London to back a deepening of European integration at next year's intergovernmental conference to revise the Maastricht treaty.

In an interview Mr Schäuble said the EU could become a more cohesive force in political and economic decision-making only if individual states gave up their national veto.

Mr Schäuble, floor leader in the German Bundestag of the Christian Democrats (CDU) and their sister party, the Christian Social Union (CSU), is generally touted as Mr Kohl's most likely successor as party chairman and chancellor.

He was one of the authors of the controversial CDU/CSU document last September which suggested that a "core" group headed by Germany and France would lead the way to deeper European ties.

At present majority voting is largely limited to questions concerning the single market, but Mr Schäuble said important decisions over the EU's structure, including the planned enlargement to the east, could be impeded unless the principle was changed.

"The majority [for making decisions] could be greater than 50 per cent, perhaps a two-thirds majority, but [there should be] no right of veto, under which one member can block everything," he said. He suggested that if a state like Britain was not ready to go along with EU decisions in certain areas, it would retain the right to "opt out" but let the others go ahead on their own.

Along with proposals to give the European parliament equal legislative rights with the EU Council of Ministers, Mr Schäuble served notice that at next year's conference Germany will give priority to strengthening EU co-operation in foreign and security policy. He acknowledged, however, that for the time being such co-operation would take place on an inter-governmental basis rather than through new EU institutions.

Israeli rate reduction follows tax and spending cuts

By Eric Silver and Julian Ozanne in Jerusalem

The Bank of Israel yesterday lowered interest rates by 1.5 percentage points, bringing the rate at which the central bank lends to commercial banks down to 14.8 per cent.

The reduction was the second this year, following a modest cut of 0.7 percentage points on February 22, the first lowering of rates in more than a year.

The cut in rates had been signalled before the stock market closed yesterday but the market was already bouyed by the cabinet's endorsement of spending and income tax cuts. The cuts amount to Shk900m (£190m) from this year's Shk147bn budget and Shk1.2bn from income tax.

The biggest cuts will come from aid to the troubled defence industry and the kibbutzim as well as housing assistance.

"The main aim of these measures is to ensure economic growth," Mr Avraham Shohat, finance minister, said after the weekly cabinet meeting.

The Bank of Israel has been under intense pressure from the Treasury and manufacturers to lower interest rates in order to revive public faith in Mr Yitzhak Rabin's Labour-led government, which faces elections by November 1996.

But some commentators believe that yesterday's cut went too far in appeasing the expansionist monetary lobby.

Professor Michael Beenstock, a Hebrew University economist who favoured a maximum one-point cut, said: "My fear is that money supply will grow too rapidly. Mr Joseph Frenkel [the central bank governor] is jeopardising everything he's achieved since last September, when he decided that to get inflation down, the Bank of Israel must bring money supply under control. He must not let it get out of control again."

The markets responded enthusiastically to the fiscal and monetary package designed to restore confidence among local and foreign investors in the government's economic management.

The Tel Aviv Stock Exchange rose 6.4 per cent with the benchmark Mishtanim index of top 100 shares closing at 171.32 points, up 10.3 on Wednesday's close (the market had been closed because of the Purim Jewish holiday).

The government has set a 5.0 per cent growth target for gross domestic product this year, following last year's rise of 6.5 per cent.

In an interview with the Financial Times, Mr Frenkel claimed yesterday's package as a victory for the Bank's monetary policy. "This has been a very important turning point in the economic strategy of Israel," he said, "with a firm understanding now that tight monetary policy has been vindicated."

The governor added that the consumer price indexes for January and February, each of which registered a rise of 0.2 per cent, indicated that Israel was on track for its target of 8-11 per cent inflation this year, compared with 14.5 per cent in 1994. While acknowledging that the January and February indexes owed a good deal to seasonal factors, he claimed that Israel had "broken the back" of inflation.

The importance of the fiscal package, Mr Frenkel said, was that it would "bring us back to the desirable trend of reducing inflation and the tax burden, and reduce the claims of government on financial resources."

He saw it as "a package that is supporting the business sector and sustaining growth".

INTERNATIONAL NEWS DIGEST

Second blow for Afghan rebels

Afghan government troops ousted opposition Taliban militia from a strategic base near Kabul yesterday, inflicting the second heavy defeat in a week on the Islamic force. Government sources said troops loyal to President Burhanuddin Rabbani captured the Charasyab base, 25km south of the capital, after a three-pronged dawn offensive. The loss of Charasyab was Taliban's second defeat in a week after a string of easy victories had given it control over at least nine southern and eastern provinces. On March 12, government forces ousted Taliban from Kabul's southwestern district of Karte Seh.

Taliban emerged as a movement of religious students in southern Kandahar province seven months ago and rapidly gained popular support from many Afghans. *Reuter, Kabul*

Philippines visit postponed

Mr Goh Chok Tong, prime minister of Singapore, has postponed a scheduled trip to the Philippines next month following protests over Singapore's execution of a Filipina maid found guilty of double murder. Flor Contemplacion, a 42-year-old mother of four, was hanged at Singapore's Changi jail on Friday, despite an appeal for a stay of execution from President Ramos of the Philippines.

An official statement said that Mr Goh's visit had been postponed "to a more propitious time". A terrorist group in the Philippines had warned that it would consider Singaporean official and diplomats legitimate targets if the execution went ahead. Over the weekend Singapore issued a statement denying that any new evidence had surfaced in the case. A former cellmate of Contemplacion, Virginia Parumog, had arrived in Singapore shortly before the execution claiming that Contemplacion was innocent of killing another Filipina maid and a three-year-old boy. *Kieran Cooke, Kuala Lumpur*

Malaysia acts on contracts

Malaysia has announced changes in the awarding of government contracts. Mr Anwar Ibrahim, finance minister and deputy prime minister, said that civil engineering contracts would now be awarded only to Malaysian companies and that all international tenders must ensure the active involvement of local concerns. He said the policy changes, which he described as marginal, would take immediate effect. The new policy applies not only to government enterprises but also to companies in which the government has a majority stake, such as Telekom Malaysia, Petronas, the national oil company and Tenaga Nasional, the partly privatised electricity utility.

"I have proposed that tenders for civil engineering works be taken out from international tenders in order to reduce costs and to safeguard the interests of local companies" said Mr Anwar. He said Malaysian companies now had the strength and skills to carry out such work.

Malaysian policy already requires 30 per cent participation by people of Malay race in most projects. Industry sources say the changes announced by Mr Anwar could be the result of increased lobbying by local companies against the award of prestigious and potentially lucrative contracts to foreign companies under Malaysia's ambitious infrastructure development programme. *Kieran Cooke, Kuala Lumpur*

Arms fair opens in Gulf

The Gulf's largest arms bazaar opened in Abu Dhabi yesterday and several multi-million-dollar deals are expected during the five-day event. The United Arab Emirates is expected to award several contracts including a deal for up to 12 ship-based helicopters worth between \$300m and \$350m (£213m). The helicopter deal is reported to have been narrowed down to the Seahawk built by Sikorsky, a subsidiary of United Technologies of the US, and France's Panther, made by Eurocopter International, a division of Aérospatiale. Britain's Westland, a subsidiary of GKN, had earlier been a favourite, but the UAE appears to have dropped Westland's Super Lynx helicopter from the final shortlist after requirement specifications were modified, western experts said. The UAE, which like most of its oil-rich Gulf Arab neighbours pays mainly cash for its weapons, has a large military purchase programme that includes up to 80 long-range strike warplanes, patrol aircraft, helicopters and frigates. *Reuter, Abu Dhabi*

Bhutto assassination claim

Ms Benazir Bhutto, the Pakistani prime minister, was the target of a 1993 assassination plot masterminded by the same man suspected of heading New York's world trade centre bombing plan in the same year, senior Pakistani officials said at the weekend. The claim has added a new twist to investigations surrounding one of the world's most widely publicised cases of terrorism. Mr Ramzi Yousef, the Iraqi who is the alleged mastermind behind the bombing, was arrested in Islamabad last month and extradited to the US. He has pleaded innocence to charges that he planned the World Trade Centre bombing in February 1993, which left six dead and more than 1,000 injured. *Farhan Bokhari, Islamabad*

Beijing urged to impose curbs on Coca-colonisers

By Tony Walker in Beijing

Legislators of the National People's Congress, China's parliament, which concluded a session at the weekend, have raised protectionist cries over foreign domination of the local soft-drink market.

Foreign brands, notably Coca-Cola, are proving too successful, it seems, in a fragmented market with a dearth of national brands.

Thirty-two NPC deputies submitted a motion, which was not taken up the session, asking the authorities to "appropriately restrict" the expansion of Coca-Cola and Pepsi Cola in China. "We should protect traditional beverages and help them get on their feet... the market share of Coca-Cola and Pepsi is too big," said Mr Chen Bixia, a representative from China's southern Guangdong province.

China has become Coca-Cola's fastest growing overseas market. Last month, the company said cola sales in China climbed 76 per cent in 1994.

In 1994, Coca-Cola sold the equivalent of 136m 24-bottle cases of soft drink, including Coca-Cola, Sprite and Fanta. These brands now account for 18 per cent of China's beverage market and are continuing to increase their market share.

Mr Steve Chan, general manager of Coca-Cola China, sees no reason why the company should not continue its growth of 30-35 per cent a year to the year 2000, when China would account for significantly more than the present 1 per cent of Coca-Cola's worldwide sales.

"China will definitely become much more important and represent a larger percentage of Coca-Cola sales," says Mr Chan. "In a market of 1.2bn, a lot of people will become more affluent and have more disposable income."

Ms Helena Coles, a consumer products stategist with Kleinwort Benson in Hong Kong, has a rosy outlook on Coca-Cola in China. "The beverage market in China grows by as much as increases in capacity will allow," she says. "People like Coca-Cola have the money and know-how to keep increasing capacity, unlike the local players, who lack the funds and expertise."

When Coca-Cola re-entered China in 1979 at the dawn of the "open door" policy, it did not prove an immediate success. To the Chinese palate it tasted like herbal medicine, but sales growth is now climbing in line with a successful strategy of appealing to younger, affluent consumers.

In 1994, sales of Sprite and Fanta accounted for about 56 per cent, with Coke sales at 37 per cent. But Coca-Cola is forecast soon to outsell its stablemates in China, as in most other markets.

Coca-Cola's continuing assault on the Chinese market includes plans for 10 new bottling plants by 1996 in addition to the existing 13. This will bring its investment in China to about \$500m. Strategy provides for pushing further inland, with new plants to be opened this year in Wuhan, central China; Shenyang and Harbin in the north-east; and Xian in the north-west. Most existing bottling facilities are in coastal cities such as Shanghai, Hangzhou, Xiamen, Guangzhou, Zhuhai and Hainan island.

"Our strategy of moving inland does not mean, however, that we will not continue growing our business in existing locations," says Mr Chan. "The large urban areas are still very important to us, but we need to move inland as China's economic development spreads inward."

Vendors tack up a portrait of former Chinese leader Mao Zedong, on sale for Yn200 (£15) in a Beijing market yesterday *Reuter*

Coca-Cola partner's in the China ventures are the Hong Kong-based Swire and Kerry groups. Of the 10 new franchises, Kerry will be responsible for seven and Swire three in joint-venture partnerships with local Chinese entities.

Among Chinese partners are China International Trust and Investment Corporation, China National Council of Light Industry and China National Cereals, Oil and Foodstuffs Import and Export Corporation.

Coca-Cola's strategy is to take a 12.5 per cent share in these ventures, which are run by Kerry Beverages and Swire Beverages respectively. The American company supplies concentrates used in China from a wholly owned plant established in Shanghai in 1988 and known as Shanghai Shenmei Food and Beverages.

But with the enormous growth in Coca-Cola sales, either the concentrates plant will require expansion or a second factory will be needed. No decision has been made.

Mr Chan says the company is not only seeking to grow with the increase in demand among affluent consumers but is also endeavouring to "drive demand". Its marketing strategy is aimed primarily at "making the products as available as possible". This is not easy in China, where transport is chaotic, but Coca-Cola and its partners seek, he says, to "aggressively use a direct distribution network". They also use wholesalers to augment direct sales and distribution.

The company must be doing something right. It outsells Pepsi Cola by three to one, according to its own estimates. Local competitors pose little threat to its expansion plans and unlike other US brands Coca-Cola has avoided the counterfeiting scourge.

China's deputies flex muscles in Congress votes

By Tony Walker in Beijing

Delegates attending China's National People's Congress, which concluded at the weekend, gave a sting in the tail to the annual parliamentary session, traditionally a rubber-stamp for decisions taken by the Communist party elite.

One third of 2,752 deputies in attendance withheld their support for a government nominee for a new vice premiership, an embarrassment for China's leaders and a sign of stirring in the country's hitherto fairly passive institutions.

Mr Jiang Zemin, China's president, and Mr Li Peng, its prime minister, cannot take comfort from last Friday's vote, since it was almost certainly as much a protest against the government's heavy-handed management of the Congress as it was a criticism of the nominee himself.

It was also a sign of greater resistance to domination by the centre of policy decisions. At the least it portends stiffer resistance from the provinces to Beijing's *diktat* in the future.

The vote also indicated that the party leadership, and President Jiang Zemin in particular, cannot take their authority for granted in the new era. Mr Jiang's supporters had lobbied hard for the two candidates for vice premier.

In an unprecedented development in post-revolution China, 605 deputies voted against Mr Jiang Chunyun, the former party boss in Shandong province, as the new vice premier in charge of agriculture, 391 abstained and 10 did not vote.

Some 15 per cent withheld their approval for Mr Wu Bangguo, the former party secretary of Shanghai, as the other new vice premier.

Mr Li sought to put the best face on the session but he cannot have felt entirely comfortable about unusual displays of independence. "Deputies offered some criticisms and suggestions," he said after the closing session. "Therefore, I believe this session is a fully democratic meeting."

Many deputies would not have agreed with this. Representatives from Guangdong province in south China last week criticised the conduct of the NPC, accusing the leadership of not allowing it to function as the "highest authoritative organ" in China under the constitution.

Mr Wu Bo, a senior member of the Guangdong delegation, said there were "some party leaders who said they supported the People's Congress but in actual fact wanted it to be no more than decoration".

Mr Wu also complained that the party was using the NPC as a "convalescent home" for retired cadres, according to a report in the South China Morning Post.

NPC deputies also showed their independence in a vote on a new Central Bank law aimed at strengthening the functions of the People's Bank to restrain monetary growth and combat inflation. NPC delegates had argued for a stronger supervisory role over the bank, but made little headway. One third of deputies voted against the law when it was introduced to the parliament on Saturday.

These stirrings provided an interest postscript to a Congress that was almost devoid of new initiatives.

But in spite of the Congress's emphasis on stability, and its lacklustre legislative programme, the stirrings of delegates will probably ensure that the third session of the 8th National People's Congress will come to be regarded as a notable occasion.

Japanese quietly celebrate world trade victory

Tokyo believes Washington's bluff has been called over imports, reports Guy de Jonquières

The yen's steep rise against the US dollar is piling the agony on Japan's exporters – but for the country's trade negotiators, it is another reason to breathe more easily.

For the first time in more than a decade, officials sense a truce in the bitter economic conflicts which have dominated Japan's foreign relations and led other economic powers, above all the US, to vilify it as the bogeyman of world trade.

Their optimism is based on more than the effect of currency appreciation in cutting exports and boosting imports, which are also being swollen by economic recovery.

Senior officials in Tokyo believe their increasingly firm negotiating stance has decisively turned back repeated US onslaughts on Japan's bilateral trade surplus and Washington's efforts to extract concessions by threatening trade retaliation.

The view that Japan has called America's bluff and won is echoed in business. Mr Kioyaki Kikuchi, a former diplomat who now advises Matsushita electronics group, says: "The Americans have found Japan too hard a nut to crack. They tried everything, including coercion and intimidation. But their tactics didn't work."

Tensions are also ebbing in dealings with the EU, which has never acted as aggressively towards Japan as the US, nor commanded as much attention. Both Tokyo and Brussels are now emphasising closer co-operation, a goal underlined in a policy statement on Japan published by the European Commission last week.

The turning point in trade policy was the meeting between US President Bill Clinton and Mr Morohiro Hosokawa, then Japanese prime minister, in February last year. The summit collapsed when Mr Hosokawa refused to commit his government to numerical targets for increasing imports.

Mr Hosokawa's stand was popular at home, but not enough to save his job. However, his three successors have adhered to the tougher line he set, and none of Japan's recent agreements with the US – on flat glass, government procurement and financial services – has contained import targets.

In the past, Japan frequently reacted to US trade pressure by denying guilt and then caving in. However, its negotiators have become much more ready to counter-attack American arguments.

One official recalls how Japan responded to US accusations last year that imports' share of its medical equipment market was below that in other industrialised countries, by challenging the US to give figures for its own market.

When none was forthcoming, the Japanese triumphantly produced statistics showing that import penetration in their country was actually higher than in the US. "I'd hate to say we won, but the US withdrew," said the official.

Japan's resolve has also been stiffened by tougher disputes mechanisms in the new World Trade Organisation which, it believes, offer stronger safeguards against unilateral retaliation by the US under its Section 301 trade legislation.

Just as important is the perception – shared by many in Washington – that the US has lost its stomach for a fight. The peak of the bilateral trade deficit in November went unremarked by the Clinton administration, which now seems keener to talk up the results of its trade diplomacy with Japan than to pick new quarrels.

One reason may be that US industry is now so busy filling orders at home and in other foreign markets that it is lobbying less hard for action against Japan. Indeed, Mr Walter Mondale, the US ambassador to Tokyo, recently expressed concern that US companies were succumbing to "Japan fatigue".

Another explanation common in Tokyo is that the North Korean nuclear crisis has prompted Washington to give security a much higher priority in its Asia policy, while China has displaced Japan as the main target of the US fixation with trade practices.

Japan is likely to remain under pressure from its trading partners. But their attention is shifting from narrow bilateral disputes over specific products to efforts to accelerate economic deregulation. While this process may create tensions, it is one to which the government and many Japanese producers are also committed, at least in principle.

Before Japan can finally declare an end to bilateral trade strife, it must somehow resolve negotiations with Washington on cars and car parts, which accounted for two thirds of its \$66bn (£40bn) trade surplus with the US last year.

The US wants a deal this month, but Tokyo is digging in its heels. Though ready to discuss US demands for deregulation of its car parts after-market, it is resisting pressure to improve access by US manufacturers to Japanese dealer networks or to persuade Japanese manufacturers to buy more US components.

Japanese negotiators insist these two issues must be settled by the market, not by government intervention. They warn they will challenge in the WTO any US threat to retaliate unilaterally over components.

Japan's strategy is to play for time in the belief that, if the talks can be strung out until the end of the year, the dispute will be eclipsed by the US presidential election campaign. However, its negotiators must somehow finesse Mr Clinton's visit to Japan in November for the Asia-Pacific Economic Co-operation summit.

"Mr Clinton needs to get something from his visit to show voters at home," says a senior Japanese official. "We hope Apec will provide that something. I don't think he will get much on cars, or anything that is beyond our capacity to deliver."

That stratagem may, however, depend on factors other than Japanese trade negotiating skills. Senior officials' private nightmare is that, on the 50th anniversary of the end of the second world war, international controversy could suddenly flare up over Japan's record during that period.

Caution and chemistry in Commonwealth club

By Michael Holman

Its annual reception is one of the best parties in London, and its patron is a bigger crowd-puller than the US president. Its Marlborough House headquarters, off London's Pall Mall, would grace a superpower, and some 40 of the world's heads of government manage to set aside nearly a week for its biennial convention.

Over 50 countries, representing a quarter of the world's population belong to it, and...

"Yes, yes," said a senior member of the African National Congress, "I know all that. But you still haven't told me exactly why South Africa should rejoin the Commonwealth."

The ANC official was at Cape Town airport yesterday to greet Queen Elizabeth of Britain, head of the Commonwealth, on her arrival for a six-day state visit that officially begins today. But on a balmy evening in October 1993, he had been an observer at the Commonwealth conference in Cyprus.

South Africa was on the agenda. Effectively expelled from the Commonwealth in 1961 over apartheid, the country would be invited to rejoin the association of which Queen Elizabeth is the head, provided the 1994 elections went off successfully.

There was no suggestion that the invitation would be turned down. But the ANC observer, part of a group of journalists and diplomats gathered together over an informal dinner, needed – or pretended to need – convincing that the Commonwealth still played a useful function.

His apparent scepticism was understandable. The opening ceremony had all the dignity of a Eurovision song contest, and his foray into Commonwealth politics earlier that week had hardly strengthened the case for membership.

He had informally proposed that the organisation appoint a standing committee to monitor human rights abuses in post-apartheid South Africa. The proposal never got off the ground. What was sauce for the South African goose would be sauce for all the Commonwealth ganders, from Kashmir to Northern Ireland and Nigeria.

The ANC observer had encountered at first hand the cautious nature of the Commonwealth, an informal club of countries ranging from micro-states to industrialised powers, spanning rich and poor, north and south, united only by a history which had once brought them under the British empire.

Commonwealth critics at the table that evening suggested that the body was now kept together only by nostalgia and a common language.

Its defenders highlighted past successes, such as its critical role in the transition from Rhodesia to Zimbabwe.

Today's less glamorous agenda, supporters argued, includes the problems of micro-states, the environment, helping small countries combat abuse of the banking systems in money laundering by international drug traffickers, and technical assistance on everything from running elections to drafting constitutions.

Human rights and good governance are higher on the agenda, they went on, and pointed to election monitoring exercises in Zambia, although conceding that the Commonwealth's endorsement of the Kenyan election in 1990 was hard to justify in the face of violations that took place.

He listened politely, but still seemed sceptical as the evening ended.

In South Africa over the next few days, he will have the chance to express his misgivings to his visitor, who after more than 40 years on the throne is better equipped to answer them than anyone.

More likely, however, what has been called the Commonwealth chemistry has already gone to work on him. And this incongruous club, a unique, informal network of contacts around the world, has already taken our friend into its enduring embrace.

Mexico austerity plan boosted by VAT rise

By Leslie Crawford in Mexico City

The Mexican parliament voted at the weekend to increase value added tax from 10 to 15 per cent, a move which will provide Mr Guillermo Ortiz, the finance minister, with extra revenues to implement an emergency economic programme announced 10 days ago.

Faced with a rebellion in the ruling Institutional Revolutionary Party (PRI), the government threatened PRI rebels with expulsion in order to push the legislation through Congress.

Only one PRI deputy in the lower house, and one PRI senator, voted against the measure. Members of the opposition National Action party and Revolutionary Democratic party, waving Mexican flags and singing the national anthem, voted against the increase in VAT. "The PRI will lose its majority in the 1997 mid-term elections as a result of this vote," forecast Mr Jorge Padilla, a National Action party congressman.

President Ernesto Zedillo received the full blast of popular anger at the hardship brought on by the peso devaluation in December during a visit to the western state of Durango, where he was booed and whistled and had to be shielded from demonstrators.

"These are tough measures, difficult measures, which clearly do not deserve popular acclaim," he told the crowd. "We haven't adopted [the austerity plan] as a result of a technocratic whim, but because we believe it is necessary to avoid more damage to the country." The austerity plan adopted 10 days ago has increased the price of petrol and electricity by 35 per cent, slashed public spending by 10 per cent and now raised the sales tax to strengthen government finances.

Expulsion threat brought ruling party rebels into line over the legislation

The government is predicting GDP will contract by 2 per cent this year, while it hopes to contain inflation to 42 per cent, against 7 per cent last year. Finance officials complain they are fighting a "tidal wave of scepticism" which has continued to batter the Mexican currency. This is despite measures to tighten monetary policy, strengthen government finances and eliminate a current account deficit which totalled \$29.5bn (£17.9bn) in 1994, the equivalent of 8 per cent of GDP, and which triggered the crisis of confidence in Mexico's economic management and forced the devaluation.

"Mexico is going through a dramatic process," Mr Ortiz said. "We are eliminating our current account deficit and paying a large chunk of our short-term debt. It is an adjustment of staggering proportions." Mr Ortiz said measures would be put in place this week to help to stabilise the peso, which has lost half of its value since December.

The government will start redeeming its *tesobono* debt – Treasury bills pegged to the dollar – directly in dollars, rather than in pesos.

The decision is expected to reduce the demand for dollars in the open market. Since January, the government has paid off almost one-third of the \$29bn in Tesobonos which mature this year.

In addition, Mr Ortiz said some banks and financial intermediaries would begin a forward currency market, which is expected to provide a hedge against the fluctuations of the peso.

"As the central bank rebuilds its foreign reserves, we will hopefully have a more stable foreign exchange market to allow the government to define a more predictable exchange rate policy," he said. Mr Ortiz said the government was studying various models, including those adopted by Chile and Israel, where the currency is traded within wide bands and a reference rate is adjusted according to forward-looking inflation differentials.

Mr Ortiz admitted he did not expect foreign investors to return to Mexico in the near future, and that Mexico would have to rely more heavily on policies that encouraged greater domestic savings to generate growth. An advisory council had been set up to overhaul the tax system. "We want a thoroughly modern tax system that gives individuals and corporations the right incentives to save," Mr Ortiz said. Private sector economists believe the government will also need to reform the state pension system – whose payments place a heavy burden on the government's finances – but that this will entail difficult union negotiations.

Guillermo Ortiz: "Mexico is going through a dramatic process"

US Republicans warned on 'safety net'

Bishops attack welfare proposals

By George Graham in Washington

US Roman Catholic bishops have weighed into the debate over welfare reform with a sharp attack on several central elements of the overhaul plan that the Republican party will bring to a vote in the House of Representatives this week.

In a statement issued by the administrative board of the US Catholic Conference, the bishops described the welfare status quo as "unacceptable" but argued against a punitive approach to welfare recipients that could leave children worse off.

"We cannot support reform that destroys the structures, ends entitlements and eliminates resources that have provided an essential safety net for vulnerable children or permits states to reduce their commitment in this area," the statement said.

The bishops warned that refusing benefits to mothers who have more children while receiving welfare could "hurt the children and pressure their mothers toward abortion and sterilisation". They also criticised proposals to deny benefits to legal immigrants.

The Catholic Church's intervention is not expected to prevent the House from passing the welfare reform bill, but could affect debate on a number of amendments that have been proposed and may contribute to Senate Republicans' efforts to devise their own welfare reform plan.

The bishops challenge several central premises of the House plan: the ending of welfare payments as an entitlement for those who meet certain federal income and family status criteria; the transfer of much responsibility to the states; and the denial of benefits to unmarried mothers or those who have more children while receiving welfare.

The Clinton administration says those measures would deny cash benefits to 2.3m children, while another provision setting a lifetime limit of five years on the payment of benefits to any family would over time cut off another 4m children.

Republicans say their bill would induce changes in behaviour and end a system that traps the poor in welfare. The Clinton administration's own reform proposal would have required recipients to work for their benefits after two years, a goal in tune with the Republican plan, but its drafters found that providing training and job programmes to help recipients into the workforce had a higher budgetary cost than the current system.

INTERNATIONAL PRESS REVIEW

Adams' train hauls empty carriages

US

By Jurek Martin

British and Irish foreign correspondents had no choice but to dog Mr Gerry Adams's every footstep in Washington and New York last week but the same could hardly be said of the coverage devoted to the Sinn Féin leader by their US colleagues-in-ink.

Perhaps the extreme example of different press priorities was manifested by Friday's *Washington Post*, whose reporting of the Adams visit – and his first meeting the previous day with President Bill Clinton – was confined to its Style (arts and social) section.

Accompanying St Patrick's Day pictures of famous Irish faces included Tip O'Neill, Victor McLaglen, Maureen O'Hara, John and Edward Kennedy, Peter O'Toole, Mia Farrow and Bing Crosby, but not the man whose very presence in the US causes many of the English, let alone Ulster Unionists, to come out in spots.

Still, buried far down one article, was one of the better descriptive paragraphs. Henry Allen wrote: "Adams has mastered the look of lightly-bearded, thick-spectacled gentleness one associates with peacemakers or saving the whales, but it seemed a cover, a veneer like the leather stretched around a blackjack. Then again, he's in a tough business." Also indicative of different transatlantic attitudes was the longest article on the visit in the *New York Times*. An excellent, straight report by Joe Sexton on Mr Adams's fundraising in the New York area appeared on a front page all right – but of the paper's Metro section – and was essentially about how he was received by the local Irish population.

Newspaper editorial comment was inclined to give Mr Clinton credit, if grudgingly, for progressively opening US doors, and finally his own in the White House, to Mr Adams. A New York Times leader said: "Surely the president was aware that his gesture would do him no harm in heavily Irish-American states like New York and Massachusetts. Still, he was right to choose the chance to speed up the peace process over the risk of angering the British."

The Washington Post redressed any shortfall with a Friday editorial describing Mr Clinton's initiatives as "a risky policy" which, however, "seems to be producing results". The US, it advised, "should not be a participant in the negotiations over the political future of Northern Ireland," though it could help in other ways, and the administration needed to be clear "about what exactly it is rewarding and what it will continue to penalise if it must."

The sweetest editorial music for London's ears probably came in the *St Louis Post-Dispatch*, whose leader said: "The British have every right to be angry. Instead of fawning over Mr Adams and Sinn Féin, the Clinton administration should be withholding its favour until the IRA renounces violence and lays down its arms."

For once, the pundits were relatively reticent. Even Mary McGrory, than whom no one is more Irish and who dined with Mr Adams on his second Washington visit last September, chose as her four columnar subjects for last week, including yesterday's, Marcia Clark (O J Simpson's prosecutor), the CIA, welfare reform and the Republican party.

An exception was Jim Hoagland in the Washington Post, whose Thursday column opened with the tantalising sentence: "I crunched into a pizza appetiser just as President Clinton turned from conversation with Senator Edward Kennedy about Northern Ireland and asked 'Do you think we're right on this?'"

But, having revealed that he initially replied "mostly right", the Hoagland column did not then unveil more of the president's thinking. Instead it reflected on Anglo-American relations ("Britain is too important an ally to be given the back of the hand in such an open way" even if it looks like "the footdragging party") and on comparisons with overtures made to Mr Yassir Arafat of the PLO.

In the end, he wrote elliptically of Bill Clinton and John Major, "the IRA will prove one of them right and one wrong and will help the re-election chances of the one who is right".

But perhaps the most apposite comment never made it into print. An admirable reporter on a Very Important American Newspaper was grumbling privately about being sent to cover the Irish lunch on Capitol Hill. "I wanted to do the Bosnia-Croatia federation anniversary. I think it's more important."

Troops mass on border

Venezuela and Colombia have been assembling large contingents of troops along their 2,200km border, writes Joseph Mann in Caracas.

Officials from both nations have stressed the build-up is not mutual belligerence but a joint effort to control guerrilla incursions and activities by drug traffickers and other criminals that have caused problems for Venezuela.

Media reports, citing official sources, estimated that the troops could total about 10,000 soldiers.

The military build up followed an attack on a Venezuelan border post last month by Colombia's National Liberation Army guerrillas who killed eight Venezuelan marines and carried off arms and munitions. The attack, in Apure state, was the most recent in a series of border crimes and incidents.

NEWS: UK

Company will today seek $2.4m backing for 300km freight link to France

Rail group reopens search for funds

By Charles Batchelor, Transport Correspondent

Central Railway Group, which is trying to create a 300km freight railway from the Channel tunnel to the English Midlands, will today make a third attempt to raise the funds needed to carry the project forward. Central is the first railway company to seek private finance to build a modern rail route in mainland Britain for more than 50 years.

The company hopes to raise £1.5m ($2.4m) from private investors to enable it to obtain parliamentary approval for its plans, said Mr Andrew Gritten, chairman. It is trying to open a line to carry trucks on flatbed wagons from the English entrance to the Channel tunnel to Leicester in the Midlands.

The route would approach London from the Channel along a new line next to the existing track between the largest Kent ports and the capital. It would then head north-west out of London along the Chiltern line. After about 75km it would require reinstatement of the track of the old Great Central Railway from London to the Midlands which closed in the 1960s.

New track would also be required to take the line through London and some tunnels and bridges outside London would have to be widened.

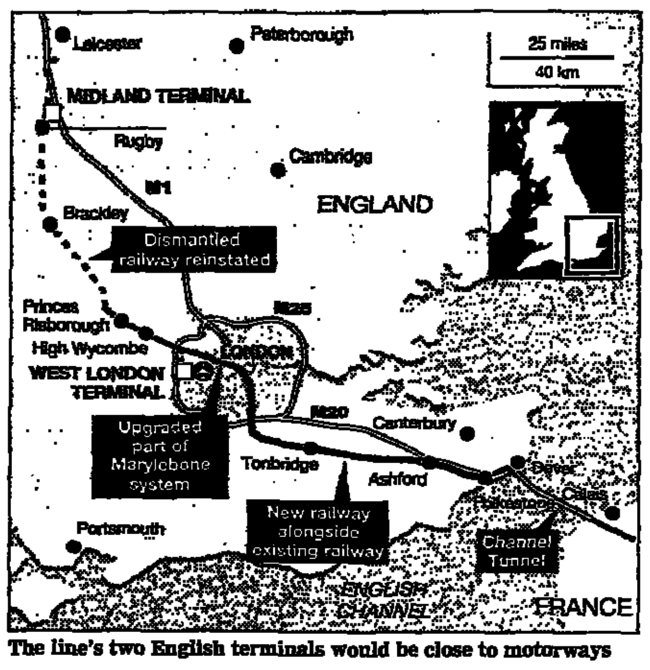
Central Railway is making an offer of up to 1.5m £1 shares in minimum subscription amounts of £500. The offer has not been underwritten and will remain open until April 5.

Two previous attempts to raise between £5m and £6m failed. The most recent of them was made last June. The company has warned that no dividends will be paid for at least seven years, but investors have also been deterred by the £3bn total cost of the project and the need to obtain access to land from which track has been removed.

Central Railway believes it can capture 14 per cent of international truck traffic travelling between the UK and mainland Europe, or about 1.75m trucks in 2005. The project has been under preparation for nearly five years.

Trucks on trains are common the European mainland, but the smaller loading gauge – the clearance between trains and bridges and platforms – of the British network has so far made it impossible to transport complete trucks.

Central Railway is the brainchild of Mr Gritten, a former political analyst who developed an interest in rail projects while working as a researcher at the rightwing Centre for Policy Studies.



The line's two English terminals would be close to motorways

Minister orders fellow Tories to halt EU squabble

The right wing of the governing Conservative party was in disarray yesterday, our Political Correspondent writes. Mr Michael Portillo, employment secretary, warned that backbench critics of Mr Kenneth Clarke, chancellor of the exchequer and the cabinet's leading pro-European, were endangering the party's electoral prospects.

Mr Portillo, the leading cabinet rightwinger, said that personal attacks on Mr Clarke by Sir George Gardiner and other backbenchers associated with the rightwing Conservative Way Forward grouping "cannot help our party at all".

Obviously irritated by outspoken criticism of Mr Clarke in the CWF journal, edited by Sir George, Mr Portillo warned on BBC radio: "We are getting too close to the election for factional struggles." The tone of his remarks reflects ministers' fears that the cabinet's fragile consensus on European issues will fall apart unless the party's stop feuding over the European Union. Mr Clarke has recently faced increasingly hostile rightwing attacks.

The CWF journal said in its editorial that Mr Clarke's claim last month that monetary union could be achieved without political union was "an insult to the intelligence" of Conservatives. The journal told Mr Clarke to stop promoting "federalism in disguise".

The re-emergence of Conservative divisions on Europe coincides with government efforts to avoid an embarrassing defeat tomorrow in a House of Commons vote on the future of the Common Agricultural Policy. One Conservative rebel said yesterday he would not support the government, adding: "Stuff Europe".

Deputy governor faces allegations about mistress

Press fails to ruffle Bank

By Michael Cassell and Gillian Tett

In its 300-year history, the Bank of England has regularly been called in to help clear up City scandal; this weekend it struggled to contain a little domestic problem of its own.

At the heart of the latest fuss is Mr Rupert Pennant-Rea, the 47-year old deputy governor of the bank, the UK central bank. Mr Pennant-Rea was yesterday the centre of a tabloid newspaper story alleging that during the course of a three-year affair he arranged meetings with his former mistress at the bank's headquarters at Threadneedle Street in the City of London. One meeting allegedly took place in a dressing room set aside for Mr Eddie George, the governor.

The newspaper also claimed Mr Pennant-Rea sometimes employed Treasury vehicles to take his mistress to their meetings and that she adopted different names in gaining access to the bank at times when it was on full security alert because of IRA activity in the City. Mr Pennant-Rea said in a statement issued through the bank: "I have discussed the position with the governor and we are both entirely satisfied that I remain able to function effectively as deputy governor. The facts of the relationship are entirely private to the other party and to my wife and our family. I do not intend to comment further".

Rupert Pennant-Rea

- 1948 Born Zimbabwe; educated Peterhouse, Zimbabwe, Trinity College, Dublin, and Manchester University
- 1972 joins staff of General and Municipal Workers' Union
- 1973 moves to Bank of England
- 1977 joins The Economist
- 1986 becomes editor
- 1993 appointed deputy governor of Bank of England

One bank official said: "We do not believe that this incident has any implications for the security of the bank and we regard it very much as a personal matter." Senior officials are understood to have known about the affair for about a year, after the governor had been informed by Mr Pennant-Rea.

The revelations mean that the lives of officials in another of Britain's top institutions are now seen as legitimate subjects for close scrutiny. In recent years, the behaviour of the royal family, the church, the army and of growing numbers of MPs has come under rigorous investigation.

The Sunday Mirror, which published the allegations about Mr Pennant-Rea, was unapologetic about adding the Bank of England to the list. A spokeswoman said: "The bank is an august institution respected worldwide.

"The public is entitled to know when high ranking officials who enjoy privileges and position employ Bank of England drivers to ferry their mistresses around, arrange for their mistresses to use fake names to bypass security checks intended to protect Bank of England staff and use private apartments of the governor of the Bank of England for purposes for which were never intended."

UK NEWS DIGEST

Poverty gap is widening, says Labour

The opposition Labour party says more than 1m people in Britain earn less than £2.50 ($4) an hour while more than 300,000 of those are paid less than £1.50. The figures will fuel controversy about income disparities in the wake of an inquiry into income and wealth by the Joseph Rowntree Foundation. The Rowntree inquiry showed that the income gap between the highest-paid and lowest-paid workers was the greatest since the second world war.

Ms Harriet Harman, Labour's shadow employment secretary, said the figures, drawn from information provided by the House of Commons library, indicated a widening gap. "While directors of privatised utilities award each other massive pay awards and share options, people on low wages are becoming more and more insecure," she said.

Ms Harman said the figures would "embarrass Phillip Oppenheim [a junior employment minister], who said in a letter to the Financial Times in December 1994 that £2.70 is an extremely low level". In fact Mr Oppenheim wrote: "In the US, the minimum wage is currently set at the extremely low level of $4.25 per hour [about £2.70 at current exchange rates]. *Lisa Wood, Employment Staff*

Pupils shun economics

The number of students taking A-level Economics is expected this year to drop to levels last seen in the 1970s because young people find it boring, irrelevant and too difficult. A or Advanced level is the school examination which determines students' chances of entering a university. About 32,000 students took A-level Economics last summer, almost a third fewer than in 1989. The total this year is expected to be well below 30,000.

Economics has suffered in part at the hands of business studies courses. Fewer than 10,000 pupils took Business Studies A-level in 1989, but the figure had risen to 27,000 by 1994. Mr Graham Teager, head of humanities at Banbury School, a state school with 1,400 pupils, said: "Economics seems to have been discredited. Students link economics with politicians. But at the same time they like the idea of wheeling and dealing."

He added that 17-year-olds considered Mr Richard Branson, founder of the Virgin empire, a more attractive role model than Mr Kenneth Clarke, the chancellor of the exchequer. Mr Teager said his pupils were also impressed by the lifestyle of Mr Nick Leeson, the man at the centre of the Barings crisis. *Robert Chote, Economics Correspondent*

Maxwell unit dropped

The government unit set up to help pensioners after the publisher Robert Maxwell plundered their pension fund is to be scrapped. Mr Peter Lilley, social services secretary, said the Maxwell Pensions Unit had played an important role in helping to bring about the basis for a settlement. But the task of bringing that to a conclusion was in the hands of the parties concerned.

The unit has been headed by Sir John Cuckney, a former chairman of the Westland helicopter manufacturer and the 3i venture capital company. *Financial Staff*

Scots extremists barred

Ms Roseanna Cunningham, the Scottish National party candidate in a by-election caused by the death of a Conservative MP, has won a court order against an extreme anti-English group which has urged its supporters to vote for her.

An Edinburgh court ordered Scottish Watch to stop issuing leaflets urging support for the Scottish National party. Scottish Watch campaigns against the growing number of English people settling in Scotland. The SNP has consistently distanced itself from it. A System Three poll for The Herald newspaper in Glasgow found that the SNP is likely to win the by-election, for which no date has been set. *James Buxton, Scottish Correspondent*

Threat from midwives: Midwives dropped their 115-year-old rule against going on strike amid growing opposition to a government squeeze on pay in the public sector. The Royal College of Midwives will now ballot its 36,000 members on industrial action. The Royal College of Nursing may also drop its no-strike rule.

Rocket jobs saved: Civilian contractors are to take over the Royal Artillery rocket range at Benbecula in one of the remotest parts of the western isles of Scotland. The decision to put the base's work out to tender follows a local campaign to save the 800 jobs which depend on it. The future of the range has been in doubt since the decision last year to move much of its work to Wales.

Public floggings proposed: Criminals should be flogged live on prime-time television "as a humiliation", says Conservative MP Mrs Elizabeth Peacock. She recommends a slot close to the Saturday evening show on which the winning National Lottery numbers are drawn. "As I see from my postbag, there is a very strong feeling that criminals should be treated tougher," she says.

Boot camp protest: The opposition Labour party demanded a government statement about a report from officials who are said to have concluded that US-style "boot camps" for criminals would be unsuitable for Britain. The officials decided after visiting five US camps that British prisoners would riot if subjected to "humiliating and degrading" American punishments.

Heroin seized: Two men will appear in court today charged with importing heroin after Customs officers seized £1m ($1.59m) worth of the drug at a Manchester airport in northern England. A Customs official said 10kg of heroin had arrived in baggage on a British Airways flight from Islamabad.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Asahi Brews 7.3% Bd 2000 Y730000.0
Brad.& Bingley Bldg Scty FRN '05 £17966.27
Christiania Bank FRN '97 *$1025.17*
Commercial Union 10¾% Bd '02 £107.50
Coventry Bldg Scty FRN '97 £161.82
Dai-Ichi Kangyo Bank 10% Nts '01 $1000.0
Daiwa Europe Bank 4.80% '02 Y646667.0
Enron $0.20
Exchequer 10½% '05 £5.25
First Natl Bldg Scty £44.81
Gold Intl Fin B FRN '02 *Y777291.0*
Do Tranche C FRN '02 Y2193972.0
Honeywell $0.25
ITOCHU Step-Down CPN Nts '95 Y150000.0
Japan Air. 4.6% Bd Mar '98 Y460000.0
Do 5.6% Bd '03 Y560000.0
Marubeni Euro Yen Nts '98 Y2000000.0
MBL Fin 6⅞% Bd '03 *$68750.0*
Do 7⅛% *Bd* '06 $71250.0
NT & T 10¼% Bd '01 C$102.50
Sotheby's Hldgs A *Lim/Vtg* $0.06
Southern Elect 8.3p
South Western Elect 8.7p
Sumitomo Chem 6.35% Bd '97 Y635000.0
Do 6.4% '99 Y640000.0
Sumitomo Rlty & Dev 6.10% Nts '98 Y610000.0
Do 6.15% Nts '99 Y615000.0
Do 6.20% Nts '00 Y620000.0
Do FRN '96 Y65090.0
Taisel 2.7% Bd '98 Y267750.0
Do 5.05% Bd '98 Y302458.0
3.8% Bd '01 Y376833.0
Thames Water 9½% Cv Sb Bd *'06 £237.50*
Tokai Und FRN Y2293699.0
Toray Inds 7.2% Nts '98 Y720000.0

■ **TOMORROW**
Amer Grp FM3.0
Eastern Grp 8.25p
Leumi Intl Inv FRN '97 $289.10
Rutensburg Platinum R0.68
SGW Fin 13¼% Nts '01 A$331250.0
Tate & Lyle Intl Fin 5¾% Bd '01 £143.75
Do Wrnts £143.75
Woolwich Bldg Scty FRN '99 £161.82

■ **WEDNESDAY MARCH 22**
AAH 6p
Birmingham Mid.Bldg Scty FRN '05 £35921.06
Commercial Loans Inv Prpty Cl *M1 Com Bkd FRN '09 £184.32*
Do Class M2 £189.25
Do Class B £261.99
Finsbury Underwriting 0.6p
Marine Mid. Banks FR Sb Nts '09 $164.06
Marubeni Intl Fin 3% Bd '95 $3000.0
Midland Bank Und FR Prim *Cap Nts Sep '85 $289.10*
Nationwide Bldg Scty Sb FRN '00 £180.92
Do Sb FRN '04 £166.44
SGW Fin Gtd FRN 1998 £16.21
Standard Chart. Und Prim Cap FRN £80.90

■ ***THURSDAY MARCH 23***
Alcan Aluminium $0.075
Crest Packaging 1.375p
East Midlands Elec 8.6p
Eksportfinans A/S Sb FRN '02 $27.34
European Inv Bank 11½% Ln *'02 £275.0Eve Grp 3p*
Haliburton $0.25
Hong Kong Inv Tst 0.75p
Impala Platinum R0.50
Leeds Permanent Bldg Scty Sb VRN £171.99
Lon. Scottish Bank 2.9p
Marine Mid. Bank FR Sb Cap Nts '96 $160.94
National Power 6¼% Cv Sb *Bd '08 £31.25*
Oxford Instruments 1.7p
Severn Trent 11⅝% Bd '01 £581.25
Sparekassen Blk. Sb FRN 2000 $3349.76
Yorkshire Water 6¾% Snr Cv Bd '08 £33.75

■ **FRIDAY MARCH 24**
All Nippon Air. 6.35% Nts *2000 Y635000.0*
Asian Dev Bank 10¼% Ln '09 £256.25
Boots 10⅛% Bd '17 £2531.25
Britannia Bldg Scty FRN '97 £156.93
Cardiff Prop 1.75p
Compass Grp 4.56p
Ellis & Everard 2.7p
Foster's Brewing A$0.0275
Furukawa Elect. FRN *Mar* '98 Y62708.0Do FRN Jun '98 Y62708.0Gartmore American 1p
Do 11⅜% Db '14 £5.6875
Greenalls 11⅜% Db '14 £5.75
Do 7% Conv. Sb Bd '03 3.5p
Hercules $0.63
Intl Bank Recnstrn & Dev 9½% Ln '10 £4.75
Jersey Phoenix Tst 1.25p
Midlands Elec 9.3p
Royal Bk Scotland 10⅝% Sb *Bd '98 £531.25*
Sidlaw Grp 7½% Un Ln '03/08 £3.75
Spain 11¾% Ln '10 £293.75
Tokyu Land 8.5% Bd '95 Y425000.0
Tops Estates 0.64p
Treasury 2½% IL '01 £2.2995

■ **SATURDAY MARCH 25**
ABF Inv 5½% Un Ln '87/02 1.375p
Do 7½% Un Ln '87/02 1.375p
Chartwood Alliance *7½%* Un *Ln 1.875p*
Finnish Ex. Credit 3.5% Eqty $17.50
Manchester 3% £0.75
Marston, Thompson & E. *10¼% Db '12 £5.125*
New Zealand 11½% '14 £287.50
Renold 8% Db '91/96 £4.0
Tendring *Hundred Water Serv* 4½% £2.25
Trafalgar House 8% Un Ln '94/99 £4.0
Do *9½%* Un Ln '00/05 £4.75
Treasury 8% '09 £4
TSB Gilt Fund 0.68p

■ **SUNDAY MARCH 26**
Do 13½% Treasury '04/08 £6.75
British Land 6% Bd £30.0
Exchequer 12¼% '99 £6.125
Nottingham Water Anns (£3.50) £1.75
Do (£1.35) £0.675
Treasury 13½% '04/08 £6.75
Vaux Grp 9.875% Db '15 £4.9375
Do 10¾% Db '19 £5.375
Do 11¾% '10 £5.875

UK COMPANIES

■ *TODAY*
COMPANY MEETINGS:
Fleming American Inv Tst, *The Insurance* Hall, Moorgate Place, E.C., 12.00
Gardiner Grp, *26, Finsbury Square, E.C.*, 10.30
BOARD *MEETINGS*:
Finals:
Acorn Computer Grp
Alliance Tst
Argos
Bunzl
Edinburgh Fd Mgrs
Edinburgh Oil & Gas
Mansfield (J)
Law Debenture
Metalrax
Newport Hldgs
Simon Eng
TT Grp
Thornton Asian Emerging Markets Inv Tst
VCI
Wilson Bowden
Interims:
Beacon Inv Tst
Biocure Hldgs
Invesco Japan Discovery
Lasmo
Lucas

■ *TOMORROW*
COMPANY MEETINGS:
Brewin Dolphin Hldgs, Merchant Taylor's Hall, 30, Threadneedle Street, E.C., 12.00
Everards Brewery, Castle Acres, *Narborough, Leicester, 12.15*
Hewtin, Copthorne Hotel, Cardiff, 11.00
Motor World Grp, *Carwood House*, Carbottom Road, Bradford, 11.00
BOARD MEETINGS:
Finals:
Appleyard Grp
Applied Dist Grp
Avonmore Foods
Avonside Grp
BSG Int
Blagden Inds
Bowater
Claremont Garments
Clinton Cards
Clyde Petroleum
Daniels (S)
Derwent Valley
Fact (EW)
Fife Indar
Fired Earth
Halifax Bldg Scty
Hartons Grp
Hydro Int
Innovative Tech
Johnson Grp Cleaners
Nottingham Grp
Peek
Prudential
River & Mercantile American Cap & Inc Tst
Secure Tst
Unichem
Vinten Grp
Waterford Wedgewood
Wilson (Connolly)
Wood (A)
World of Leather
Interims:
Dorling Kindersley
IAF Grp
Maunders (J)
Paterson Zochonis
Ricardo
UK Estates

■ *WEDNESDAY MARCH 22*
COMPANY MEETINGS:
Brightstone Properties, *New Liverpool* House, 15-17, Eldon Street, E.C., 3.00
Bullough, *Project Office Furniture, 26*, Euston Centre, Euston Road, N.W., 10.30
Continental Assets Tst, *London Capital* Club, 15, Abchurch Lane, E.C., 12.30
Edinburgh Java Tst, *Donaldson House*, 97, Haymarket Terrace, Edinburgh, 3.00
London Scottish Bank, *Manchester* Town Hall, Albert Square, Manchester, 12.00
Scottish American Inv., 45, Charlotte Square, Edinburgh, 12.00
Ward Hldgs, New Cavendish Street, W., 2.30
BOARD MEETINGS:
Finals:
Abbott Mead Vickers
American Tst
Arcadian Int
Blenheim Grp
BNB Resources
Britannic Assurance
Bruntcliffe Aggregates
Canning (W)
Geest
Matthews (Bernard)
Mithras Inv Tst
Newman Tonks
Pittards
Plasmec
Ropner
Seafield Resources
Telspec
Trinity Int Hldgs
Weir Grp
Interims:
Barratt Dev
Cooper (F)
HTR Japanese Smaller Co's Tst
NM Smaller Australian Co's Tst
Schroder Japan Gwth
Town Centre Secs

■ *THURSDAY MARCH 23*
COMPANY MEETINGS:
Brunner Inv Tst, 10, Fenchurch Street, E.C., 12.45
Cardiff Property, 56, Station Road, Egham, Surrey, 12.00
Domino Printing Sciences, *Bar Hill*, Cambridge, 11.00
Greenfriar Inv, 3, Finsbury Avenue, E.C., 2.15
Microgen Hldgs, The Insurance Hall, 20, Aldermanbury, E.C., 12.00
PWS Hldgs, 52, The Minories, E.C., 12.00
Tst of Property Shares, Assoc of Inv Tst, 15, Finsbury Circus, E.C., 11.00
TSB Grp, Most House, Glasgow, 11.00
Warner Estate Hldgs, *Claridge's, Brook* Street, W., 12.00
BOARD MEETINGS:
Finals:
Aspen Comms
APV
Baird (Wm)
Bilston & Battersea Enamel
Biotrace Int
Bridon
British-Borneo Petrol
Campbell & Armstrong
Cattle's (Hldgs)
Evans Halshaw
Global Grp
Guildhall Property
Guinness
Hepworth
Kinta Kellas
Laing (John)
Manders
Morrison (Wm)
Nelson Hurst
Quality Software
Richardsons Westgarth
Slough Estates
Spirax-Sarco
Travis Perkins
United Newspapers
Whatman
Wolstenholme Rink
Interims:
Baillie Gifford Japan
Dowding & Mills
Edinburgh Dragon Tst
Gleeson (MJ)
Trafford Park Estates
Wescol Grp

■ *FRIDAY MARCH 24*
COMPANY MEETINGS:
Caldwell Inv, Yorkshire House, Greek *Street, Leeds*, 12.00
David Lloyd Leisure, The David Lloyd *Club, Bushey Road, Raynes Park*, S.W., 12.00
Lonrho, *Barbican Hall, Barbican Centre*, Silk Street, E.C., 11.30
St. David's Inv Tst, *Queen's Chambers*, 2, North Street, Newport, 12.15
BOARD MEETINGS:
Finals:
Beauford
DRS Data & Research
Garton Eng
Goal Petroleum
Hamleys
Holders Tech
Hornby Grp
Mowlem (John)
Interims:
China & Eastern Inv
GR Hldgs

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

THIS WEEK

Cavallo: Argentina's Mr Magic

DATELINE

Buenos Aires: Many wish the country's ride was not so heart-stopping, writes **David Pilling**

Two personalities have dominated Argentine headlines: one a pilot who appears to have defied gravity, the other a young man who, to the sorrow of his country, did not.

The first is Domingo Cavallo, the combative economy minister, who, just when Argentina seemed to be nose-diving towards Mexican-inspired catastrophe, managed to pull the country skywards using techniques (and money) borrowed from the IMF.

The second is – or was – Carlos Menem Jr, the president's only son, whose high-speed life came to a sudden end last Wednesday, moments after his helicopter clipped an electricity pylon and crumpled, nose first, into a cornfield.

The fate of Argentina could so easily have been the same. Cavallo's helicopter is called "convertibility", a model he invented in 1991. Convertibility welds the peso to the dollar and forbids all printing of local currency unless matched by foreign reserves. For some, it was the ideal vehicle to steer Argentina through stormy skies. For others, convertibility, fueled by foreign capital, looked like an accident waiting to happen. Investor sentiment soured quickly after Mexico's devaluation. Money stopped flowing to Argentina. Worse, it started flowing out, as fear of a banking collapse induced foreigners and Argentines alike to ship their money abroad.

A series of dare-devil manoeuvres by Cavallo, culminating in a breathtaking $3.3bn austerity package only weeks before presidential elections, failed to stop the vertiginous descent. The ground loomed on Argentina's radar. Hitherto loyal investors parachuted to safety, selling at whatever price.

Lines formed outside banks and bulky, dollar-sized bundles began to appear beneath mattresses. Even Menem's vice-presidential running mate, Carlos Ruckauf, admitted disarmingly that his wife had asked him whether they, too, should send their savings towards Switzerland.

So Cavallo prepared for his most stunning manoeuvre yet. After weeks during which he had professed absolute faith in convertibility, he conceded the possibility of a crash. "We are in danger of going over the precipice," he told open-mouthed congressmen. Legislators had to do everything he told them, or "we could find ourselves at the bottom of a deep well".

Seven days ago, Cavallo reached for his IMF emergency manual. In return for a sharp increase in value added tax and the promise of a chunky fiscal surplus, the IMF would lend Argentina $2bn which, in turn, would release additional cash from other multilateral organisations.

Cavallo, like an illusionist producing multitudinous rabbits from a hat, triumphantly presented a rescue package topping $11bn. No-one seemed to mind that some of the rabbits had a familiar look, and that much of the $11bn was not new. All danger of devaluation, default or bank disintegration was over, Cavallo promised.

Convertibility, which like Carlos Jr's helicopter, had flown too near the ground, somehow regained stability and soared away from what had looked to many like certain death. Share prices rose 30 per cent in three hectic sessions and interest rates concertina'd. Teetering banks regained their balance.

But the media had little time to celebrate, and still less to analyse whether Cavallo had moved Argentina to long-term safety. Last Wednesday, news of the death of Carlos Menem Jr buffeted the nation.

President Menem was attending to political business in his Buenos Aires residence when word came to him of his son's crash. "Well, my friends," he is reported to have said. "I have to go. It seems Carlos Jr has been in some kind of accident."

Menem flew, by helicopter, to San Nicolás where the 26-year-old Carlitos, as gossip columns called him, was fighting for his life. Menem had not yet been told that his son's condition looked hopeless.

The president's estranged wife, Zulema, and their daughter, Zulemita, also rushed to the scene. But it was too late. Carlitos was pronounced dead just after 2pm. Menem, who in 1990 had ordered his bodyguards to eject Zulema from the presidential residence, embraced his wife and daughter. The soap opera family was united in tragedy.

A day later, at the funeral of Carlitos, Menem was grey, silent and devastated. Speculation is already rife as to what effect these events will have on the presidential elections, to be held in less than two months. The consensus is that the tragic images of a father burying his only son will bolster Menem's support. And it is likely they will inhibit his two main rivals, who are unlikely to indulge in vitriolic attacks upon the grieving president.

Cavallo's nail-biting escape from the jaws of death may also serve to garner votes and deliver Menem his longed-for second term. Even before recent dramatic events, the governing Peronists were boasting that the opposition could not produce an economy minister capable of matching Cavallo's crisis management. However, even among the Peronists, there must be many who wish that Argentina's ride could be rather less heart-stopping.

PEOPLE

NAMES

Alcan's new caretaker

They are changing the guard at Alcan, the world's second biggest aluminium company, writes Robert Gibbens. David Morton, 65, who joined Alcan in the UK 40 years ago, steps down as chairman next month, and for the first time the company is to be headed by a non-aluminium man.

John Evans, 65, the new chairman, started life as a doctor who rose to be president of Toronto University. He is a director of several companies, including Allelix Biopharmaceuticals and Torstar, and has been an Alcan director since 1986.

However, with Morton gone the real power at Alcan will devolve to Jacques Bougie, 46, who has been chief executive since 1993. Morton and Bougie led Alcan through one of the toughest recessions ever in the aluminium industry, and after painful restructuring Alcan has emerged as a low-cost producer.

Since he is nearly 20 years younger than his new chairman it seems highly likely he will end up as chairman one day – provided he does not squander his inheritance.

Nick Stump digs in at MIM

Nick Stump has his work cut out at MIM Holdings, the troubled Australian natural resources group, writes Nikki Tait. The 53-year-old boss of Comalco does not start work as MIM's new chief executive for another month, yet problems are already piling up in his in-tray.

Stump replaces Norm Fussell, who resigned suddenly in January amid disquiet over the group's sagging share price and costly industrial disputes at its famed Mount Isa operations. Hopes that Stump's appointment would help resolve MIM's serious industrial relations problems have been dashed by the response of the unions. They fear Stump will follow the example of Comalco and try to put MIM staff on individual contracts – a tactic that has incurred union wrath.

Problem number two for Stump is International Musto, MIM's partner in the large Bajo de la Alumbrera gold/copper project in Argentina, which has said it is open to takeover offers. MIM has no pre-emptive rights over Musto's 50 per cent stake in the project, so may have to put up with an unwelcome partner.

Still, from the safety of Comalco's Melbourne office, Stump, a 25-year veteran with CRA (Comalco's parent), appears to be dodging the flak fairly neatly. "They've had a good go at me on the way in," he admitted, when asked about the union response, "but it's something you expect these days". Nor does he expect to soft peddle on Fussell's strategy of stripping MIM back to its coal, gold, copper, lead and zinc mining operations. "There is more trimming to do", says Stump.

NCM imports a Citibanker

NCM, the Dutch credit insurer, has gone outside the company, and even outside the Netherlands, to find a new boss to replace Harry Groen, a 30-year corporate veteran who abruptly announced his resignation in November, writes Ronald van de Krol.

True, in keeping with tradition, the proposed new chairman, Maarten Hulshoff, is Dutch. But his main attraction is his wealth of international experience, something NCM – the owner of the UK government's former short-term export-credit department – could use as it penetrates foreign markets in Europe, the US and, possibly in future, Asia.

Hulshoff, 47, has worked for Citibank for 19 years and currently heads the bank's operations in Indonesia. Previous assignments include Malaysia and Istanbul as well as Amsterdam.

The wagon-master driven on by faith

Christian Tyler *discovers that* **Brian Souter**, *executive chairman of Stagecoach, is a determined man*

Brian Souter, Britain's most aggressive bus operator, has a humble manner and professes strong religious beliefs. He will need all the faith and determination he can muster as executive chairman of Stagecoach Holdings for his coming struggle with the authorities.

For a third time the government has checked Souter's breakneck expansion with a decision more severe than the Monopolies and Mergers Commission had recommended. He has been ordered to dispose of his 20 per cent stake in Mainline Partnership, the leading South Yorkshire operator, as being against the public interest.

Last week two of his recent acquisitions, in Cleveland and Hartlepool, were cleared by the Department of Trade.

But in a fortnight Souter will face two more MMC inquiry reports, both involving Strathclyde. In May the MMC reports on its competition investigation in the north-east, following last autumn's bus war in Darlington.

The latest setback was "upsetting," Souter says, because it interrupted Stagecoach's progress towards the critical mass it needs to leap into Europe and expand elsewhere as routes are privatised. Stagecoach also has a hungry eye on the impending auction of UK railway franchises.

If the bus conductor's son from Perth is angry about his treatment, he is careful not to show it. Plainly, however, he feels he is the industry scapegoat. "We think we may have very good grounds for an appeal for judicial review," he says.

The Office of Fair Trading has looked at 27 mergers in which Stagecoach has been involved, two cases under the Competition Act and one of alleged monopoly. The Stagecoach chairman says he is the subject of so many complaints because the industry is "geriatric".

In his view rivals suffer from territorial jealousy and a public sector mentality; they would rather seek an OFT ruling than go out and win business.

He denies predatory pricing, saying he has done only what any soap-powder retailer would do – which is to offer promotional discounts. He says: "Very few of these claims have been substantiated. There have been one or two occasions when we have crossed the barrier, no question about it. But for the most part we've been able to recover market share because of our efficiency and our marketing."

Brian Souter is a most improbable mogul. The executive chairman of Britain's biggest independent bus company, whose 23 per cent shareholding is worth some £74m at present, seems not to own a suit.

He wears Kicker shoes and mismatched jackets and trousers, and pays himself £95,000 a year, with no bonuses or options. He is a free-market entrepreneur who cannot bring himself to vote Conservative because of the party's social policies.

Ruthless in pursuit of business objectives yet charitable, he says, in all his personal dealings, Souter is an evangelical Christian who neither drinks nor smokes. Asked to describe his local Church of the Nazarene he says with a characteristic cackle: "We might clap but we don't jump".

Stagecoach was founded by Souter, 40, and his older sister, Ann Gloag, who is managing director and owns 19 per cent. The name – with its inevitable connotation of cowboys – was chosen by their brother David. Indeed, one of Souter's early marketing wheezes was to dress up as a cowboy for inaugural runs. David went to be a missionary in Zambia and is now studying for a Church of Scotland ministry.

The Souters' upbringing was strict. Their father, a bus conductor for 40 years (his employer was later bought by the son) preached the Protestant work ethic when the children were very young. "I was buying my own school clothes by the time I was seven," Souter laughs. Work was both good and necessary. Why good? "Because it creates independence. It is also the stewardship of time and money. It's the parable of the talents, isn't it?"

He says he has had a fixation with buses since childhood. In the event, he worked as a bus conductor only in order to put himself through Strathclyde University. "Some people can paint or have a great interest in Rembrandts. I've got a natural gift for buses, a specialist skill."

Many of his rivals would agree. Even the Transport and General Workers Union, dedicated to state ownership, has been won over. A national officer described the Stagecoach chairman as "a man we can do business with".

Is his modest demeanour a pose? "It's simply the way I am. I am the person you see. When I was young I was an inverted snob and I had a real thing about class because I received pretty bad treatment when I was looking for a job." He was eventually taken on by accountants Arthur Andersen. "But now I think inverted snobbery is as wrong as snobbery."

He sees no difficulty reconciling private morality and business success. "It's all about being honest with people. You question yourself because you are not the final authority. You can stuff a few people, of course, but you can only do that once in business.

"No, I think our Achilles' heel really is our honesty – our linen is all washed in public while others are escaping attention."

FILM/VIDEO

■ A week before the Oscars, two best-actor contenders fly into London with their films. Nigel Hawthorne in *The Madness Of King George* deserves a national welcoming committee. Britain suddenly has a new movie star, transformed from a man whose only internationally known utterance before was "Yes, [Prime] Minister." This praised film of Alan Bennett's play, adapted by the author, is tipped for a screenplay Oscar even if it misses an acting one.

□ Compared to Hawthorne's chameleon performance, Paul Newman in *Nobody's Fool* plays Paul Newman. Director Robert Benton invites tears and laughter in this tale of an ageing small-town handyman trying to fit together the pieces of his collapsed life. All the traditional American woes are here – money, divorce, family estrangement – in a film long on charm, short on originality. The strong cast includes Bruce Willis, Melanie Griffith and Jessica Tandy.

■ Elsewhere British is best. *Priest* is a topical firecracker about sex and Catholicism: one of the finest homemade issue movies in years. And *Eden Valley*, made by a Newcastle-based co-operative, is a startlingly confident small-budget film. Comedy shades into rural tragedy in the tale of a boy, his father and the strange world of harness racing.

□ On video, Meg Ryan's dipsomaniac wife in the super-weepie *When A Man Loves A Woman* shows there are still a few good women's roles in the boys' club of world cinema. And Robert Altman's *Short Cuts* reaches the sell-through market, allowing you to collect one of the great American films of recent years.

Nigel Andrews

MUSIC

■ Lovers of opera, high camp and early 20th century sleaze who are not able to get tickets for the Royal Opera's chilling production of *Salome*, starring Catherine Malfitano and Bryn Terfel, will find some recompense in Decca's new recording of Strauss's opera with the same principals and conductor, Christoph von Dohnányi, coaxing a taut performance from the Vienna Philharmonic. There have been headier, more lush interpretations, but the singing is first-rate and a striking air of sickly decadence hangs over the proceedings. Gripping.

□ The cover of Elton John's *Made In England* (Rocket) shows him healthy, contented and enjoying a John Lennon circa-1965 haircut which must have been making him think about the past. The tone of the album is reflective, with a lyrical nod or two in the direction of artist-as-an-ageing-rock star and some tasteful arrangements courtesy of Paul Buckmaster and, on one track, George Martin himself.

■ Vanessa Williams is the star of a new cast recording of the Broadway musical *Kiss of the Spiderwoman* (Mercury), which also stars Howard McGillin and Brian Mitchell.

□ In brief: Nicholas McGegan and the Philharmonia Baroque Orchestra give radiant accounts of Rameau's Orchestral Suites from *Naïs* and *Le Temple de la Gloire* (Harmonia Mundi); and the young Turner Quartet – their name is inspired by the painter – perform Beethoven's first six string quartets on original instruments on Harmonia Mundi's *Les Nouveaux Interprètes* label.

Peter Aspden

FT GUIDE TO FOOTBALL SCANDALS

What is all the fuss about in English football?
Three players in the FA Premiership – Bruce Grobbelaar, John Fashanu and Hans Segers – were arrested and questioned last week in connection with an alleged match-rigging scandal. They were later released on police bail. This season, players have allegedly assaulted fans, a journalist and a taxi driver. Fans have assaulted everyone else. Arsenal fired its manager, George Graham, for allegedly accepting £415,000 in "gifts" from an agent after signing two players. Paul Merson, an Arsenal midfielder, confessed last November to cocaine, alcohol and gambling habits.

What next?
Expect other managers to be exposed for taking "bungs", and players for taking drugs. The Football Association is stepping up drug testing, and will catch players like the Premiership star who is "injured" surprisingly often.

At least the FA is cracking down on wrongdoing wherever it finds it?
In fact, tabloid newspapers can take the credit. The Daily Mirror forced Merson to confess. The Sun secretly video taped Grobbelaar allegedly discussing matches he had thrown. The Mail on Sunday fingered Graham. When Chris Armstrong of Crystal Palace was shown to have smoked cannabis – as dastardly, in the FA's view, as snorting cocaine or pocketing money – the FA tried to hush it up. The story leaked.

Hasn't football always been corrupt and tacky?
Up to a point. English players have never seen why they should take care of their bodies. Bobby Moore, the England captain in 1966, who on his death was lauded as a prelapsarian gentleman, was one of the hardest drinkers of all. Bungs have passed hands for decades. And in the 1970s Don Revie's Leeds United was rumoured to have fixed matches. In the good old days, however, the tabloids were more polite, though The People did expose the last match rigging scandal, in the early 1960s.

So match rigging is an ancient custom?
Billy Meredith, captain of Manchester City, was suspended for a year in 1905 for trying to bribe the Aston Villa captain.

Are things worse now?
Possibly. One reason could be the economic boom in the far east. Five years ago there was little money in Malaysian gambling syndicates. Now football betting in south-east Asia is worth tens of millions of pounds a year.

Will the allegations affect betting in England?
Unlikely. To prevent match rigging, British bookmakers cannot offer odds on the result of single league games. The minimum bet is on a package of three. English betting would suffer only if punters thought most league matches were fixed.

Are most league matches fixed?
No. Players have enormous incentives to reject bribes. Most regular Premiership players earn at least £100,000 a year. The best paid is probably Jurgen Klinsmann of Spurs, who earns about £20,000 a week, twice as much as Cedric Brown, the controversial chief executive of British Gas. Also, the average player's mates are all in football. When he retires he wants to be a manager or coach. If he is exposed for taking bribes, the tribe will expel him.

Why would a Malaysian syndicate think it could bribe players?
Players' earnings are large, but their money may not be invested wisely. And some gamble heavily – dogs, horses, whatever. So some become desperate for cash.

Does match rigging happen elsewhere?
Until this year about 70 per cent of Malaysian matches were thought be rigged. More than 100 players have been arrested. Belgium, Italy and Germany have had match rigging scandals in the last two decades. Bernard Tapie, former owner of Olympique Marseille, and struggling politician and businessman, is on trial in France for trying to bribe Valenciennes players. Match rigging probably peaked in Romania under the Ceaucescus. Few goalkeepers received backhanders. Rather, secret policemen or soldiers would threaten to break their bodies. The Ceaucescus had teams, and followed results closely.

What do I care about football scandals? English football isn't a big industry, is it?
No. The combined annual turnover of the 92 league clubs is comfortably under £1bn. But football is a growing business. Money has come in from sponsors, BSkyB television, and aggressive merchandising. Manchester United now has a superstore selling club paraphernalia, with branches opening in Sydney and Tokyo soon. This pales beside the US, where sports marketing is worth £6bn annually.

An industry worth under £1bn is minute. My company alone is worth more.
But football affects your company. First, it is an important branch of corporate entertainment. When the South Korean group Samsung was looking for a European site, Sir John Hall, chairman of Newcastle United, took Samsung executives to watch Newcastle beat Antwerp 5-2. It was one of the best games of the season. Samsung decided to build a £450m electronics complex in Teesside, on land owned by Sir John's family business. And you might use football in your advertising. In a new BT ad, Bobby Moore hoists the World Cup to promote new dialling codes.

Anything else?
English football's glamour boosts Britain's profile abroad. Malaysians are not betting on German football. And Kenneth Clarke, the UK chancellor, argues that good company chief executives should earn as much as good centre forwards.

Simon Kuper

Press Association

Keeping cool: Bruce Grobbelaar at Nottingham Forrest on Saturday

MANAGEMENT

Vanessa Houlder examines the lure of a new approach that aims to discover the real worth of a company

A value system for shareholders

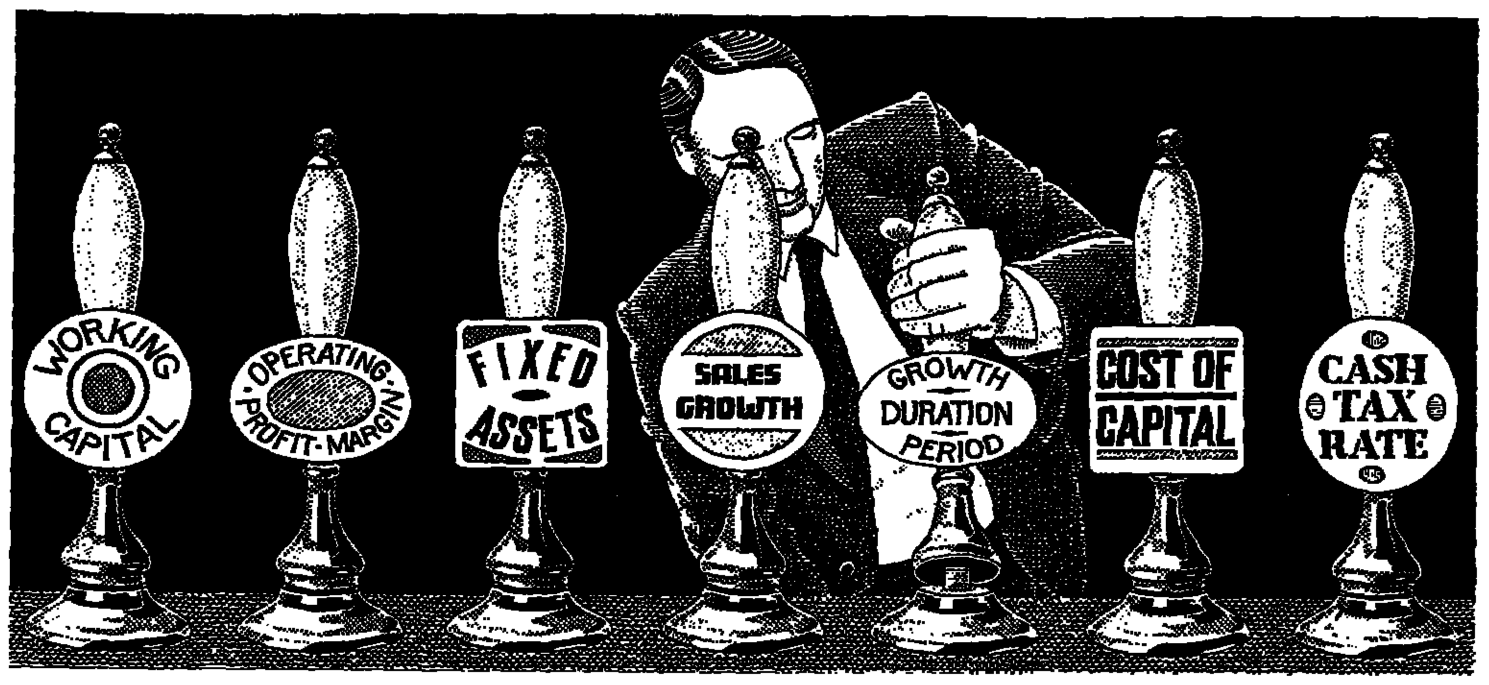
Managing a company with a weak share price is uncomfortable. In the 1980s, the threat was posed by the corporate raiders. Now the pressure is imposed by the investing institutions.

On both sides of the Atlantic, shareholders are increasingly restless about under-performing companies and unjustifiably generous executive contracts.

Against this background, a growing number of companies are demonstrating their concern about shareholders by using an approach called "shareholder value management". This tries to make an explicit link between the company's strategic and operating decisions and their effect on shareholder returns. It also offers a potential framework for aligning executive incentives to the shareholders' interests.

ICI, for example, says it wants "the whole organisation to pull levers which create shareholder value". Over the past 14 months, more than 1,000 managers have been sent on a course to learn how concepts such as beta factors, cost of capital and return on assets should affect everyday decisions.

ICI's strategy is to pass more responsibility down the line, so that individual businesses can appraise decisions in terms of the rate of returns they can deliver to shareholders. "We have linked the way the market values the business with our internal management controls," says Alan Spall, group finance director.



The principle underlying value-based management is that it is possible to model value creation using a cash-based framework, based on similar principles to discounted cashflow methods used by managers for evaluating projects.

The theory is that by identifying the "levers" that drive a company's share price over the longer term, companies can achieve more focused behaviour by managers, better strategic planning and resource allocation, clearer understanding of market expectations and a justifiable incentive pay structure.

In the short term the goal of increasing shareholder returns depends largely on the stock market recognising that value is being created and pushing up the share price. In ICI's case, Spall notes that the reaction of its institutional investors has been encouraging, although he notes the stockbrokers' analysts are "somewhat cynical".

It is perhaps unsurprising that institutional analysts – who tend to take a longer term view – are more receptive to value management projects. Nearly all institutions use free cash flows as a basis for evaluating companies, according to a survey carried out for Price Waterhouse by the Harris Research Centre.

Despite widespread familiarity with discounted cash flow techniques, the concept of value-based management is still relatively unknown. That is not because it is new or untried: its origins date back 25 years and its exponents include Coca-Cola, PepsiCo, Walt Disney, BP, Lloyds and Blue Circle.

One reason it is not a more widely recognised management tool is that companies sometimes deliberately eschew the terminology. One example is Boots The Chemist, which used value-based management to restructure into 10 business units, each with its own financial statements and performance targets and a responsibility to maximise its long-term cash flow.

David Thompson, finance director, describes the value-based management approach as "a powerful and systematic approach to planning", but he deliberately avoids using what he describes as "business school jargon".

Value-based management is most popular in the US and is gaining ground in the UK. It has been slower to take off in continental Europe, but the increasingly global nature of capital markets is persuading some continental European companies to take it seriously.

Veba, one of Germany's biggest industrial companies, introduced value-based management three years ago. It restructured the company into 50 operating units. It uses a value-oriented controlling system to help channel capital into the most profitable businesses and to divest businesses if their profitability is no longer ensured.

Veba describes its experience of value-based management as "very successful indeed". It is a "well accepted instrument among company personnel at the senior and middle management level", it says.

One of the issues raised by adoption of shareholder value management by continental companies such as Veba is whether it cuts across the interests of a company's other stakeholders, namely their customers, employees, suppliers and society at large. This is a particular concern in continental Europe, where very strong emphasis on the interests of shareholders tends to be seen as simplistic and short-sighted.

The subject has spawned a long-running academic debate. Clearly, short-term conflicts between different stakeholders do arise, particularly during periods of structural change. However, proponents of value-based management argue that over the long term there is no conflict, since only companies that provide investors with adequate returns will fulfil their obligations to other stakeholders.

Veba's view is that only a healthy, flourishing company is in a position to secure existing jobs and to create new ones or, for that matter, to bear the burdens imposed on it by the state. "Maximising shareholder value is not merely the best way, but is the only way to maximise the economic interests of all shareholders over time," according to Marakon Associates, a Connecticut-based consultancy.

Another fundamental criticism that can be levelled at shareholder value management is that it could promote short termism. Although the approach discourages short termism in that it plays down the importance of short-term fluctuations in earnings per share, it could be damaging if used to the exclusion of non-financial targets. A research-based company could, for example improve its short-term financial performance by deferring R&D spending.

The importance of coupling value-based management with strategic goals is recognised by its users. Spall says value-based management could lead to short-termism "if it was applied mindlessly but not in the context of a good strategic planning process".

For many companies, the greatest concerns about introducing value-based management is whether it will be accepted by the workforce. "It has to be driven very sensitively," says Erwin Sholtz of Ashridge Management College. "You don't want to impose it in a way which could lead to implicit rejection."

Thompson has found it harder to introduce in the parts of the business that are already star performers. Overall, however, he believes it is seen as liberating.

Problems can also arise if the system is seen as excessively complicated. A few years ago, BP abandoned what it describes as a "convoluted" control system devised when it first engaged in value-based management.

The complexities of the system were "creating a cottage industry" according to David Schofield, manager, value analysis, group strategy and performance. He says the influence of value-based management is now "more in a cultural sense in terms of making people aware of what is important".

BP's experience suggests that users should be realistic about the limits. The company started with high expectations about the validity of quantitative measures of value. Now it believes that the measures just provide a cross check for other ways of looking at a problem such as strategic fit and competitive advantage.

The need for value-based management to be considered in a wider context is echoed by Neil Monnery, vice-president of Boston Consulting Group.

"This is a very good way of putting together an understanding of some financial consequences of a strategy but not the only way to develop and enhance a strategy," he says.

"You really need to understand a company holistically."

Selecting the right yardstick

The simple idea underpinning value-based management is that most companies are measuring their performance with the wrong ruler. Traditional accounting measures, such as earnings per share, are a very poor guide to "real" value creation, measured in terms of total shareholder returns.

The respective merits of rival models have provoked a debate over and above discussion of shareholder value generally. None of the alternatives is perfect; even the most sophisticated fuel debate among academics.

The most popular of the many yardsticks is cash flow return on investment, which is analogous to the internal rate of return which companies calculate in advance for a new project. A study by Braxton Associates, part of management consultants Deloitte Touche Tohmatsu International, of the S&P 400 industrial quoted companies showed that more than 90 per cent of the stock prices could be explained using a cash flow return on investment approach.

But accuracy is bought at the price of complexity. "One of the biggest dangers of shareholder value analysis is that it can become a far too technical exercise," says Richard Barfield of Coopers & Lybrand. As a result, consultants often tailor a set of simplified measures relevant to particular businesses, depending on issues such as capital intensity, length of contracts and so on.

Value-based measures are used to:

● Influence the behaviour of individual managers, on the principle of "what gets measured gets done".

To do this, the company has to break down the factors that influence value creation into "value drivers", principally sales growth, operating profit margin, cash tax rate, working capital, fixed assets, cost of capital and growth duration period. These can then be broken down into more specific and practical measures such as cost per unit, cycle time or defect rate.

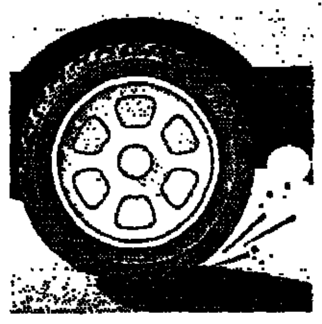
For example when Mattel, the Californian toy company, implemented value-based management in 1987, it worked out that sales staff could improve cash-based returns through gross margins, sales terms and sales targets. Once managers were shown how much cash flow would be affected by a $1 discount on a $10 toy, they gave fewer discounts.

● Allocate resources. Value-based management should lead to more focused investment decisions, by clarifying the cost of capital for individual businesses. It also helps to judge potential mergers and acquisitions.

● Benchmark. It provides a framework in which companies can compare themselves with others. Price Waterhouse, for example, has launched a product that compares the performance on the seven main value drivers between companies.

● Create performance-linked incentives. Advocates of value-based management say it is a far superior framework for executive pay than, for example, share options which are overly affected by general market movements.

If a company uses value-based measures throughout its organisation, the value-based incentive system can be extended to junior managers. Advocates of this approach include Joel Stern of Stern Stewart, a New York compensation consultancy, which argues that it should be extended to the factory floor. The objective, he says, "is to make employees behave as if they were owners".



FAST TRACK

Pink Elephant

It takes a slight leap of faith to entrust the valuable, weighty and serious contents of a company's computer centre to a computer services business with the name "Pink Elephant".

But that has not stopped hundreds of Dutch businesses calling in Pink Elephant to sort out their computer centres, proving that a computer business does not have to find a new variation on the old stand-bys "compu-" "data" and "technology" to come up with a winning name.

In the early days, Michiel Westermann, one of the student-founders of Pink Elephant at the Technical University of Delft in 1980, asked his clients whether the name should be changed. The answer was no. "One of them said to me, 'It's the only computer company name that I don't have trouble remembering'," he recalls.

Now, 15 years later, Pink Elephant is one of 11 computer services companies loosely allied within a holding company called Roccade, based in Zoetermeer outside The Hague.

The name may not be as memorable as Pink Elephant, but it will probably become well-known nevertheless by 1996, when it is scheduled to be opened to outside investors, possibly from overseas, in a government privatisation.

The story of how Pink Elephant, an entrepreneurial start-up, became part of government-owned Roccade encapsulates the 45-year history of computing in the Netherlands.

Roccade's nucleus is the former national computer agency, called "Rijkscomputercentrum" or RCC. Set up in the early 1950s in the dawn of data processing, RCC was turned into a private company operating at arm's length from the government in 1990.

RCC began buying other computer service companies, including Pink Elephant. The name Roccade is a reflection of the fact that about half of the group's Fl 480m (£192m) annual turnover is generated by RCC.

In 1991, the first year after RCC's new private-sector status, the company generated Fl 273m in turnover. This jumped to Fl 416m a year, thanks to acquisitions, and has been growing at double-digit rates ever since.

The long-term goal, says Westermann, is to boost the company's sales two to three-fold, ensuring its ability to invest in research and development.

Each of the 11 operating companies, all involved in computer services, has relative autonomy and retains its own "label". The group as a whole ranks among the largest computer-service providers in the Netherlands, along with such competitors as Getronics and Cap Volmac.

The company is hoping that the 1996 share sale will not only preserve its character but also prove to be a springboard for further growth.

The privatisation options range from bourse flotation to a sale to another company. An unspoken assumption is that the group's individual companies will retain their identities, preserving the name Pink Elephant as a tribute to irreverent thinking in the Dutch computer services industry.

Ronald van de Krol

Heroes and villains in the fat cat stakes

LUCY KELLAWAY

Poor old Cedric Brown. The view is unfashionable, but I can't help feeling sorry for him. Until a few months ago the chief executive of British Gas was known (if he was known at all, that is) as a modest, softly spoken man who slogged his guts out for the company that he had served since he was 16. By the standards of his big business peers he appeared pleasant and decent; and seemed to be doing a more than competent job in dragging British Gas into the modern age. The unkindest thing that was said about him was that he was not in the top echelons of boardroom intellect.

Now he has become one of the most hated men in Britain, reviled for his greed and sneered at for his taste in interior furnishing. He can hardly leave the house without having a camera shoved up his nostrils as he gets into his car.

Perhaps he is paid too much. The timing of his pay rise was insensitive, and comparisons with the average gas man's pay look grotesque. His judgment was at fault, as was that of the board members who advised him. Yet he is not alone, and neither – given his dedication to the company and his achievements running it – is he the best example of boardroom greed.

Just as amiable Cedric Brown has caught all the flak on pay, equally unexpectedly, Sir Richard Greenbury seems to be covering himself in glory.

His strikes me as a really nice niche to be in. As his committee seeks to rule on which cats are too fat, there is little attention on his own £779,000 salary or on where he lives or how he travels to work in the morning. And while I would not dare dispute Sir Richard's great skills as a retailer, or suggest that he is paid a penny more than his market value (and I realise that Marks and Spencer operates in a competitive market which British Gas does not), nevertheless his new position grates on my nerves. Knowing his reputation for taking offence at the slightest media criticism and having watched a TV documentary in which his staff bowed and scraped when he complained that the M&S leek and potato soup was too creamy, it is galling to see that even the prime minister is now deferring to him. If Brown's personality ill-equips him for the role of fat cat villain, so does Sir Richard's for fat cat hero.

Congratulations to Clive Morton OBE, who has just won the Management Consultancies Association 1994 book award for a volume called *Becoming World Class*. The judges commend it for what they call its "readability", but I have yet to get beyond the title.

The FT database confirms that 15 years ago the phrase "world class" appeared seldom, and then it was usually in connection with sport. Now it appears so often that the computer balks at handling the sample. What does it mean anyway? At best it is a fancy way of saying internationally competitive. At worst it means no more than successful or efficient.

A book called *Becoming Internationally Competitive* might not have swept the MCA awards, although that title has greater readability than *Corporate-Level Strategy: Creating Value in the Multibusiness Company* which was one of the other books on the shortlist.

Last week the Association of Lloyd's Members came up with the interesting suggestion that underwriters should be subjected to random drug and alcohol tests. Leaving aside the shocking vision of tipsy or stoned underwriters playing further havoc with the Names' depleted funds, the very idea of random checks on the behaviour of staff sends shivers down my spine. My ex-boss used to practise a version of the spot check by creeping up on people from behind to see what they were working on. Invariably, I would be discovered writing a shopping list or engaging in idle gossip. The effect of these checks was not to make me write my shopping lists at home – it simply made me and possibly him uncomfortable, which did nothing for productivity.

A better way of getting people to work harder is to make them laugh more. Tests have shown that overwork is only one cause of stress, lack of amusement is another. This tallies with my experience: the jobs I have enjoyed most have not necessarily been the most interesting, but the ones where my immediate colleagues have been wits. The importance of laughter is just dawning on the management training industry, which now offers special workshops on humour. The intention is admirable, but these courses seem bound to fail. Wit is not something you can learn, and the worst way of getting people to lighten up is telling them to do so.

Back to fat cats . . . you can tell that Kingfisher's Sir Geoffrey Mulcahy is not a real retailer or else he would have cut his pay to £695,000 rather than £700,000.

Into the wild blue yonder

Oxford rowing coach Dan Topolski gets back in harness after seven years away

SPORT

KEITH WHEATLEY

Dan Topolski is big on defeat. He rowed twice for Oxford in the Boat Race – won the first time, lost the second. "Losing it caused all the damage," he reflects, pondering a life that seems to return obstinately to a sport he considers barely adult.

"Four guys from last year's losing crew refused to row this year," Topolski elaborates. "For me that's inexplicable. You'd think they'd want to do anything to put it right. Winning a Boat Race feels natural, your earned right because of all the work you've put in over the months. Defeat weighs really heavily, a smack in the mouth."

This is not the idle "gob-smacked and gutted" waffle of a sportsman whose brains are in his boots. Rather, it is the overview of a puzzled and highly intelligent addict who has reluctantly returned to an event so intense that it devours normal life.

Topolski, back in harness as coach after seven years away from the Oxford crew, is basically a winner. During his first reign the Dark Blues won for 10 years in succession, on three occasions smashing the time record on the most gruelling course in international rowing.

In 1987 he walked away from the sport following the infamous mutiny by an Oxford crew of largely American international oarsmen, but not before he had taken and moulded a team of reserves and second-raters and told them they could and would beat Cambridge.

He told them they would be vicious, aggressive bastards. He assured them they were the finest crew he had ever seen in rough conditions. It was a transparent lie and they disliked Topolski for making them buy into such an untruth, but they won by four lengths.

A best-selling book, *True Blue*, about the revolt is now in the final stages before becoming a Hollywood movie. *Chariots of Fire* meets Captain Bligh? Reliving it all is likely to be a taxing experience for Topolski.

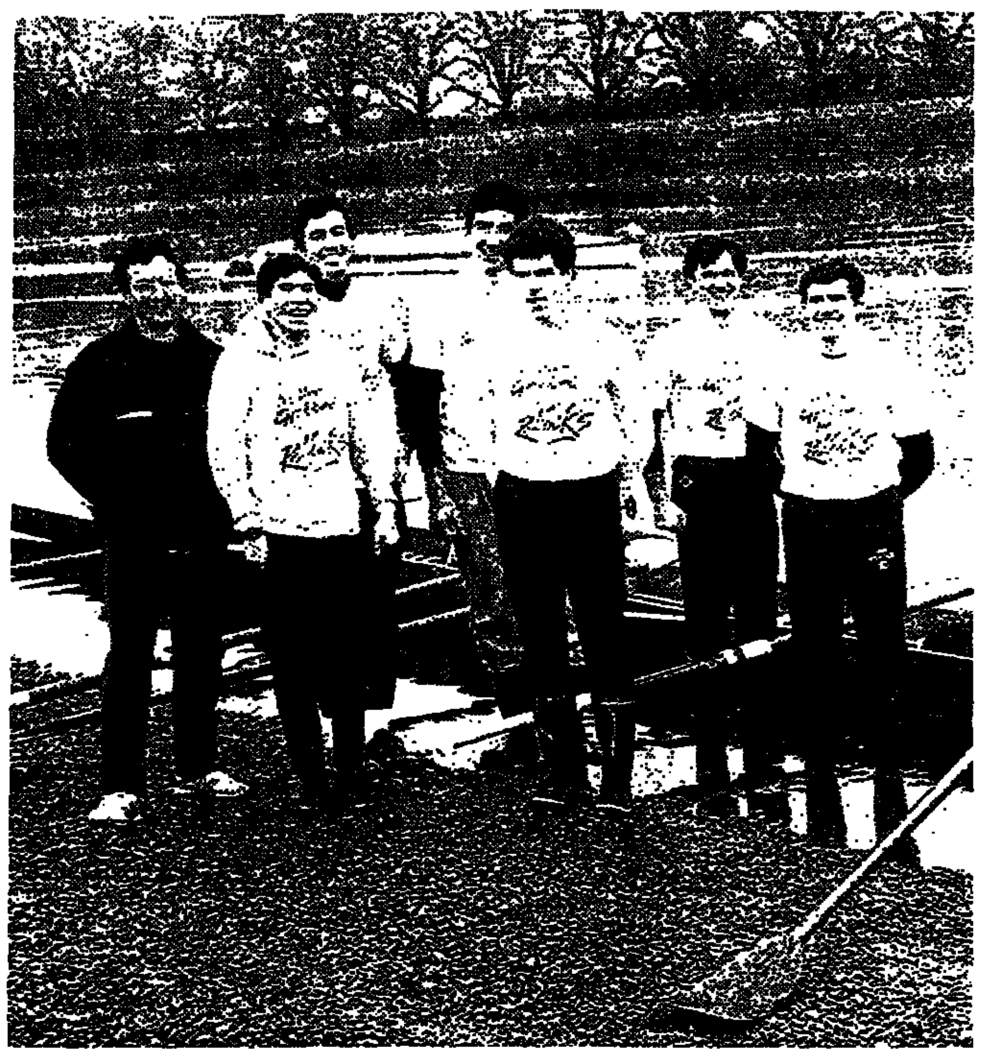
"It was a bruising year and I was glad to be out of it. After 15 years of living with my passion for rowing I thought I was cured." As he talks, Topolski sits in his elegant London flat. Paintings by his late father Felix rather than racing blades hang above the fireplace. Artefacts from Africa and the far east decorate the sitting room.

He laments time away from his chosen and successful profession of journalist and broadcaster. Travelling to Bhutan or Cuba enthuses him nowadays. So it took a brace of defeats for his beloved Oxford to tempt him away from a life of family, travel and PC.

"They asked three or four times. In the years when they were still winning it was easy to say no," Topolski explains. "But I didn't like to see my side floundering while I thought there are things I could bring to it."

He has shifted the Oxford focus back to recreational rowers, grafters who turn out in fours and pairs for their college, not the rock stars with a drawer full of Olympic and world championship medals. "There's no one in the squad this year with any international pedigree," he says. Two years ago Oxford had a team stuffed with Olympic oarsmen, but they were taken apart by a Cambridge crew with infinitely poorer form. "The subjugation of the ego to the greater good of the group is critical," says the coach.

Yesterday the squad moved into the Thameside quarters they will occupy until the race itself on April 1. Morning and afternoon they will row the tideway – Topolski goading them through a microphone – until their bodies feel ready to explode and black spots dance before their eyes. The coach will be mother, father and God almighty for the next 12 days.



Mirror Syndication

Coach Dan Topolski (in tracksuit) with the 1987 Oxford boat crew in training on the Thames

It can be an overwhelmingly intense experience for the rowers. An Olympic athlete, for example, will have experienced a good deal before he or she step into the Olympic cauldron, but little on the Cherwell or Cam prepares a young man for Putney to Mortlake on a spring afternoon with the towpath packed and the world watching.

"It's never a problem to physche them up," says Topolski. "More often you have to ease them down. Take them out for a beer, cheer them up, get them laid."

Rowing is a sport with a relatively low profile in Britain, despite the extraordinary Olympic success of Steve Redgrave and the Searle brothers. Yet television treats this obscure annual collegiate battle as a cross between the trooping of the colour and the FT Cup final.

Around the world, a TV audience of 250m is said to follow the live broadcast, while helicopters fight for airspace above the Thames. Paradoxically, Topolski and his recruiting sergeants find fewer young enthusiasts every year.

A rowing Blue cuts less ice in the City of London than was once the case, and many students cannot find the time away from their studies for solid afternoons of training on the river. Oxford itself, perennially concerned with marketing the dreaming spires to the wider world, seems curiously disinterested.

Topolski says that during his remarkable 15-year spell associated with winning boats, the university never once invited the crew to a reception or gave any hint of having noticed their success.

The coach grins. "This time I did get a note from the chancellor, Lord Jenkins, saying welcome back, which was nice."

A chance to choose

Colin Amery believes it is too soon to list Britain's post-war buildings

Now is your chance. Britain's national heritage secretary, Stephen Dorrell, cannot make up his mind, so he has decided to ask the public to give him their views on 40 buildings of the 1950s and 1960s, mainly commercial and industrial ones, which have been recommended for listing, so as to protect them.

As the minister says: "Post-war architecture is still the subject of a great deal of controversy. By publishing these listing proposals and inviting comment on them I hope to stimulate an informed public debate on the quality of post-war buildings." He adds that his final decision will be based on the merit of the buildings themselves.

What follows is an objective assessment of some of the 29 industrial and commercial buildings concerned, in London and outside it, based purely on their architectural qualities. I write as a member of the public who has a special interest in architecture and a critical base of more than 30 years spent looking at buildings.

100 Pall Mall, London SW1, by McMorran and Armstrong, is a strange, stripped down palazzo that replaced a fine clubhouse. McMorran's work (see the extension to the Old Bailey) has a certain traditional merit, but can also be grim. Not worth listing.

Clareville House, Panton Street, London SW1 (Sir Albert Richardson) is an overlooked piece of 1950s vogue Regency. Very well built and worth listing.

Marathon House, 174 Marylebone Road, London NW1 (Gollins Melvin Ward and Partners) is a copy of Lever House on Park Avenue, New York. Not a patch on the original but one of the first curtain-walled office blocks in London. Originally known as Castrol House. Worth recording in photographs, but not listing.

New Zealand House, Haymarket, London SW1 (Robert Matthew, Johnson-Marshall) has never looked too well on this site, and was ruined by the Royal Fine Art Commission, which insisted on lopping off several storeys before it was built, thus ensuring that the building is neither one thing or another. Scarcely worth listing.

Millbank Tower, London SW1 (Ronald Ward and Partners) has a certain drama, but because of its excessive height ruins several London views, especially the one down St James's Street. Pretty awful inside and really only an awkwardly shaped tower; looks better at night. Certainly not worth being a Grade II star as suggested.

41 Albermarle Street, London W1, is a period piece by Peter Moro and forms quite an elegant glass and concrete corner of the street. It is worth listing, as is the very similar Sekers building at 170-172 Sloane Street, by Brett and Pollen. Interestingly, both these buildings were commissioned by material and furniture designers, and have lasted better than most examples of their period. Both are in scale with the parts of London where they stand.

Two examples of 1960s London property boom architecture by that master of planning regulations, Richard Seifert, are included in Stephen Dorrell's list: the National Westminster Bank at Drapers Gardens and, inevitably, Centre Point, in Charring Cross Road. Neither would excite the least comment in Miami Beach, because they possess little more than slickness and period charm. Both are pretty damaging to their neighbourhoods and do not deserve listing.

Of the out-of-London offices, the best example of its period is the Heinz headquarters at Hillingdon, Middlesex, by the American architects Skidmore Owings and Merrill, completed in 1962. It has real quality in its architecture and in the landscaping. Norgas House in Killingworth, Northumberland, by Ryder and Yates, also has real style, and is well sited. Both could merit listing, while Pilkington's HQ in St Helens, Lancashire, has considerable merit and was designed by Fry, Drew and Partners, a firm that brought the modern movement into prominence.

I do not know what to make of the wavy roofed John Lewis warehouse in Stevenage, Hertfordshire, by the engineer Felix Candela and YRM, or the Bank of England printing works at Debden, Essex, designed by Easton and Robertson. These two fulfil their function now, but when they are redundant should not be retained.

The full list is available from the heritage division of the department of national heritage (Room 301, 2 Cockspur Street, London SW1Y 5DH), and comments are invited until May 9. One advantage of this strange new process is that owners are being consulted before their buildings are listed, so secrecy is being lifted.

The likely outcome is that the public will reject or ignore the majority of recommendations, and the minister will still have to brace himself to make a decision. When faced with the architecture of the post-war period, it is almost impossible to make a clear judgment. It would have been better for Dorrell to have said that nothing need be listed until it is at least 50 years old, and that nothing by living architects should be listed anyway, because with them objectivity is impossible.

What the secretary's advisers have avoided is the fact that post-war architecture should be judged only by international standards. Modernism is a universal language and in Britain many contemporary buildings are simply poor copies of foreign examples.

The minister should be brave enough to say that it is too soon to list post-war buildings. I await his heritage green paper with interest, and pray it has not been drafted by the same officials who compiled this bizarre list, which merely reveals the poverty and nihilism of most post-war British architecture. Perhaps that was the idea.

MEDIA FUTURES

Publishers pull their digits out

Robert Rice, Legal Correspondent, looks at the battle against pirates on the superhighway

For publishers and creators, it is the nightmare of the future: markets flooded with pirate copies of copyright works indistinguishable from the original, plundered in seconds from the information superhighway by professional pirates operating beyond the law.

That the nightmare has not yet become reality is largely because information providers, recognising the dangers inherent in unpoliced wide-area digital networks such as the Internet, have fought shy of supplying their copyright works in digital form.

Unless and until they feel confident their rights can be protected, this stand-off is likely to continue. Starved of input, many people fear the growth of the digital highway may be inhibited.

In more genteel analogue times, rights-owners would have relied on copyright laws for protection. However, many publishers and intellectual property lawyers believe that copyright is not up to the challenge posed by digital technology.

The speed with which works can be accessed, reproduced and redistributed via digital networks makes the chances of catching infringers almost negligible.

Simon Olswang, senior partner of the London law firm Olswang, reckons there are already examples of amateur pirates anonymously posting illegal copies of computer software, music and photographs on bulletin boards for people to download without payment to their creators. Think of the damage that professional pirates could inflict, he says.

Many people are thus convinced that a new form of protection for intellectual property rights is needed for the digital era – before publishers, attracted by the huge potential markets open to them on the digital highway at relatively low cost, will take the plunge.

Olswang's solution is to recast copyright to create something which he calls "accessright". Copyright only penalises a number of infringements if the holder of the right can show that the infringer "knew or had reason to believe" that the copy in question was unlawful.

Accessright would turn that on its head, so that where an illegal copy had been made the person in possession of that copy would be liable for breach of accessright, unless he could show that he neither knew nor had reason to believe it was unlawful.

Accessright would also have to address other shortcomings of copyright in the digital age. Any new legal structure needs to recognise that compartmentalising copyright by different types of usage – broadcast, rental and so on – makes no sense in the age of multimedia convergence.

It would also have to move away from copyright's emphasis on protecting works in their physical form. In the digital environment, works are likely to exist primarily in non-physical forms, he says.

Finally, accessright would have to cater to the internationalisation of protection. In the global electronic village it is no longer acceptable to protect copyright works separately in each country under differing national regimes.

Others believe the death of copyright is greatly exaggerated. Peter Wienand, a lawyer with London solicitors Farrer & Co, says that just because the works themselves are turned into strings of numbers and then squirted down networks, people assume copyright is somehow inherently incapable of adjusting to the new media age.

But this confuses the means of recording and transmitting a work with the work itself, he says. The fact that a work is digitally recorded does not alter the fact that it is recorded, and that is what copyright is concerned with. Provided it is recorded and original, copyright will protect it.

History shows that copyright has also proved itself capable of evolving in tune with technological revolutions. This has applied to photographs, film, sound, broadcasts, cable programmes and computer programs, he says.

In Britain, the fact that computer programs are protected by UK copyright legislation indicates that copyright is already flexible enough to absorb the concept of works recorded in digital form. UK legislation also recognises that "copying" includes "storing the work in any medium by electronic means." In effect, digital copying has already been brought within the scope of infringement.

The problems posed by the digital age, therefore, do not lie so much with the form of protection offered to the creators of original works but in the enforcement of copyright, says Wienand.

The cost and difficulty of monitoring infringements on the digital networks suggest that efforts in future will have to be concentrated on collective or compulsory licensing administered by bodies such as the US Copyright Clearance Center, and on the development of technology for combating piracy such as digital identification and encryption.

Wienand says there may also be room for more draconian penalties for copyright infringement – perhaps even criminal sanctions. The Design Artist's Copyright Society's success in obtaining a court declaration last year that criminal sanctions were available against the directors of Thames & Hudson for alleged infringement of copyright in 46 books was a nod in that direction, he says.

In the US, where construction of the information superhighway is further advanced than in Europe, much greater progress has been made in tackling the problem of copyright compliance on the Internet and other commercial networks.

Two weeks ago the Folio Corporation, a US database software subsidiary of Reed Elsevier, the Anglo-Dutch publisher, announced the development of technology which will allow a publisher to monitor and record use of its information on the Internet and other wide-area networks, thereby facilitating copyright compliance.

According to Tracy Scott, president of Folio, the new metering technology is an extension of its existing rights management technology. This already allows publishers to restrict usage of databases on CD-Rom by the number of users or for a specified period of time. The new metering technology will allow monitoring on a per-transaction basis so that users only have to pay for what they use.

The Folio initiative is being undertaken in conjunction with the Copyright Clearance Center which at present licenses reproduction rights to more than 1.7m titles produced by more than 9,000 publishers. Folio will provide the technology to support CCC's extension of its licensing service into the digital sphere. CCC will also serve as a clearing house for aggregating and maintaining the confidentiality of usage and royalty information.

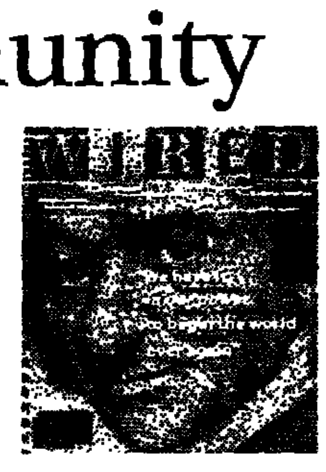
Folio expects technologically supported electronic copyright licensing to be available to producers of local-area networks by mid-1995, extending to wide-area networks such as the Internet next year.

"This agreement between Folio and CCC makes network-based electronic commerce practical for publishers for the first time," Scott said last week.

Copyright, it seems, is more than a match for digital technology.

Bible for the way-cool community

By Stephen McGookin



The nuns in IBM's advert will be happy this week.

The British edition of the American computer monthly magazine *Wired* is launched on Friday, and its backers are determined to capitalise on the success of its cult-status parent.

According to UK *Wired*'s executive editor, John Browning, the magazine will "combine relevant information with intelligent analysis. It will be writing for and about the most powerful people on the planet today – those people who not only understand the changes taking place, but are making them happen."

Thanks to a collaboration between Britain's Guardian Media Group and San Francisco's Wired Ventures, the magazine that calls itself the "mouthpiece of the digital generation" is set to reach out to the most powerful people on the planet who happen to live in Stevenage rather than Seattle.

Born in January 1993, *Wired* rides the futurewave, testing established thinking with provocative and resonant arguments. Last September's edition, for example, carried a piece by Jon Katz entitled "Online or Not, Newspapers Still Suck", which is still being debated, while a regular feature is a back-page column of musings by MIT guru Nicholas Negroponte.

Wired's in-your-face approach to technology has taken coverage of the computer industry out of the realm of the geek and on to the cutting edge of cultural discourse.

The online version of the magazine – *HotWired* (*http://www.hotwired.com/*) – is less a web page, more a cyberstation, says managing editor Chip Bayers.

But unconventionality is not exclusive of profitability. The magazine sells about 200,000 copies worldwide, and the current 172-page issue carries adverts for Mercedes-Benz and Dewar's Scotch, alongside Sony and IBM.

The screen-based service has been selling page "banners" linking readers to advertisers. According to this month's *Internet Business Report*, *HotWired*'s advertising revenues could exceed $2m this year. A team of about 25 people is producing the UK edition, which will balance US and domestic content. Print run for the first edition is 90,000 at a cover price of £3.50.

Publisher Louis Rossetto hopes the new magazine will become as indispensible as its US and Japanese counterparts, and says "it was our sense that the UK was starting to 'get it'" that prompted the decision to jump into the European market.

But is there a future for conventional print magazines, niche or otherwise? This month, science magazine *Omni* decided to forsake paper publishing for an electronic alternative, arguing that the use of online services among its roughly 750,000 readers is at a high enough level to justify what might seem a radical – even risky – move.

Likewise, it is hard to imagine anyone who doesn't own a computer reading *Wired*. Yet with the huge growth of the Internet and market penetration of home PCs frequently predicted to smash the top of the graph by the end of the century, there is a fertile market waiting to be tapped. Or zapped.

Riding the Tide against an incoming multimedia wave

Richard Tomkins, in New York, reports on Procter & Gamble's backing for increased TV programme production

Procter & Gamble, the US soap and toothpaste maker, is the world's biggest television advertiser. So when Edwin Artzt, its chairman and chief executive, speaks his mind on the future of the television commercial, advertising folk sit up and listen.

Last May, Artzt asked the US advertising community to look ahead to a media age in which mass broadcasting to a passive audience had been replaced by interactive television with hundreds of channels featuring movies on demand, pay-per-view programming, home shopping and video games.

Many, perhaps most, of these channels would show no advertising, Artzt predicted. So where, in this interactive future, was P&G supposed to advertise its Tide detergent, Crest toothpaste and Pantene Pro-V shampoo?

His question jolted the US advertising business into action. Its executives went away and formed the Coalition for Advertising Supported Information and Entertainment to campaign for the preservation of the commercial break. Ten days ago the coalition called a meeting in New York and invited Artzt along as a guest, only to find that his thinking had progressed.

It was no good hanging around in the hope that commercial television would survive on its own, he said. It needed support, and P&G was going to provide it. The company was going to help make the programmes that broadcasters would need to fill their schedules.

In one sense, this was not new. When television first arrived in the US, no government-owned corporation like the BBC existed to fill the airwaves with programming. Part of the gap was filled by P&G, which set up its own in-house production unit to make programmes carrying ads for its products.

Gradually, the practice declined as other programme producers emerged, although even today P&G Productions continues to turn out three day-time soap operas – so called because they are made by a soap company.

But history seems to be turning full circle. Artzt says that unless advertisers get more involved in programme making, they will lose any say in how programmes get paid for. Then, television networks and production companies may start looking for new ways to maximise revenues from their programmes – for example, turning to some kind of pay-per-view mechanism, making ads redundant.

Is Artzt being unduly alarmist? Some media analysts say that fears about the survival of free-at-the-point-of-use, advertising-supported television are overdone because there is a limit to how much money people will spend on pay-per-view television. Yet some worrying evidence to the contrary is offered by Robert Wright, chief executive of the NBC television network.

At the same New York meeting addressed by Artzt, Wright pointed out that, 15 years ago, virtually all US television entertainment in the home was free to the public. It was wholly financed by advertising revenues, which in 1980 totalled about $11.5bn.

This year those revenues are expected to reach $36bn, which seems to indicate healthy growth in advertising-supported television. In fact, it is much smaller than the amount Americans now spend out of their own pockets on screen-based entertainment in the home.

Wright estimates that if you add together all the sums spent by consumers on cable television subscriptions, satellite television equipment, pay-per-view channels, video cassette rentals and sales, home shopping, video games, other computer software and personal computer hardware for non-business use, the figure has already reached about $65bn a year; and the multimedia age has hardly begun.

By this reckoning, advertising-supported television has already been overtaken by pay-per-view home entertainment in the US, and the process looks set to accelerate. Yet Wright believes there is still a future for free, broadcast television as a "refuge" for viewers struggling to keep up with the cost of pay-per-view. "If we can provide comforting, informative, large-value packages that lots of people can enjoy, I think we can do well", he says.

In other words, broadcasters will thrive if they can get hold of sufficiently interesting programming. Which brings us back to Artzt.

"As long as we were guaranteed virtually unlimited access to the vast majority of programming going into people's homes, we had no reason to be concerned about access to programming. But now we do, and we're doing something about it", he says.

As a first step, P&G has formed a joint venture with Paramount Television, maker of programmes such as *Star Trek*, *Roseanne* and *Cheers*, to fund development of new network series and first-run syndication programming.

Each company will provide 50 per cent of the cost of developing new series and split the proceeds from programme sales. P&G will benefit from guaranteed rights to the advertising slots accompanying each programme; Paramount will tap a new source of programme development funds.

"We've pursued this relationship to ensure that our brands will have access to the best advertiser-supported entertainment available – shows that build audience loyalty and consistently attract the mass consumer viewership we need for our advertising," says Artzt.

Details of the sort of programmes that will emerge are still sketchy. But Robert Wehling, P&G's senior vice-president for advertising, market research and public affairs, says they will be prime time shows, not soaps. The programme ideas, he says, will come from Paramount, although P&G will have a say in content.

This raises a troubling issue. The main reason why existing US television programming is so bland is that advertisers already exercise a form of censorship by refusing to show their commercials during programmes that could arouse controversy. If advertisers are to start engaging in programme production, too, their control over what viewers see will be extended still further.

P&G says such fears are unfounded. If it does not like a programme Paramount is making, it will drop out of the partnership for that programme only. Anyway, P&G's content guidelines are famously virtuous: sex and violence are minimal, tasteful and appear only when justified by the plot. And good always triumphs over evil. Who could argue with that?

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 19.03.95: Pool purchase price £/MWh	Final Prices for Trading on 19.02.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.14	9.06	9.06
0100	12.00	14.59	14.87
0130	14.85	14.59	14.87
0200	14.85	14.58	14.87
0230	12.00	10.04	10.32
0300	12.00	9.82	10.09
0330	12.00	9.75	10.02
0400	11.45	9.33	9.60
0430	15.79	6.03	6.31
0500	8.79	8.83	8.83
0530	8.16	8.79	8.79
0600	8.16	8.79	8.79
0630	8.16	8.79	8.79
0700	8.16	8.78	8.78
0730	8.18	8.78	8.78
0800	8.14	8.78	8.78
0830	8.17	8.75	8.75
0900	8.19	8.75	8.75
0930	8.79	8.79	8.79
1000	8.03	9.38	9.66
1030	8.89	9.38	9.68
1100	8.89	9.38	9.68
1130	10.75	9.38	9.88
1200	16.04	9.38	9.86
1230	10.75	9.38	9.86
1300	16.04	9.38	9.66
1330	10.78	9.38	9.66
1400	8.89	9.38	9.66
1430	15.79	9.00	9.00
1500	8.77	8.82	8.82
1530	8.77	8.80	8.80
1600	8.77	8.80	8.80
1630	8.77	8.80	8.80
1700	8.77	8.83	8.83
1730	15.79	9.38	9.68
1800	8.79	9.71	9.98
1830	8.03	13.13	13.41
1900	16.87	13.12	13.41
1930	19.28	13.13	13.41
2000	19.28	11.02	11.30
2030	16.87	9.91	10.19
2100	16.04	9.91	10.19
2130	15.00	9.91	10.19
2200	15.00	9.91	10.19
2230	10.78	9.91	10.19
2300	8.03	8.89	9.89
2330	15.79	8.60	8.60
2400	8.78	8.79	8.79

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.50/MWh becomes 1.650p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading: Pool purchase price £/MWh	Final Prices for Trading: Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]
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BUSINESS TRAVEL

Manchester flight

Continental Airlines of the US says it will start a daily service between Manchester and its own Newark hub on July 15. Newark is described as the closest international airport to downtown Manhattan. The service will leave Manchester at 11.20am daily, arriving at 2.05pm, and depart Newark at 8pm, arriving in Manchester at 7.45am. US airlines were granted unilateral access to UK regional airports last October.

Scandinavian ferries

Finns, Swedes and others were put off ferry travel by last year's Estonia disaster, but are rediscovering its attractions, reports Reuter from Stockholm. Traffic plummeted after the Estonia foundered last September with the loss of more than 900 lives. It was one of Europe's worst maritime disasters. But the Baltic ferry industry says cruises are winning back lost popularity. "There was a clear decline in passenger [traffic] immediately after the accident, but it is starting to pick up again," said Magnus Slotte, captain of the ferry Silja Serenade, which sails between Finland and Sweden. "People forget."

Slotte and others expect ferry traffic – big business in the Nordic countries – to return to its previous level. Each year, millions travel on ferries between countries on the shores of Baltic – many for pleasure, others for business. The route between the Finnish capital, Helsinki, and Stockholm in Sweden, one of the most popular, is an affordable way of having a weekend trip abroad. On the 14-hour crossing, passengers can dine in one of several restaurants, take a sauna, buy duty-free drink and other luxuries, play roulette and spend the evening on the dance floor. The Silja Serenade carries more than 2,800 passengers and is no common ferry. The ship has a pedestrian "street" 460ft long lined with shops, bars and restaurants, as well as 12 decks and 980 cabins.

The Estonia went down in stormy seas off south-west Finland last September 28, while sailing from the Estonian capital, Tallinn, to Stockholm. It sank after its bow door was torn off, flooding the car deck and causing it to capsize. Of more than 1,000 passengers on board, only 137 were rescued.

In the wake of the Estonia's tragedy, passenger numbers on Baltic services fell severely. But in recent months, shipping company officials say there has been a recovery due to intensive marketing, lower ticket prices and the passage of time.

Cape Town marina

Development of Cape Town's historic waterfront advances today when Prince Philip triggers a series of explosions to flood a new $140m marina. The prince is accompanying Queen Elizabeth II on the first British state visit to South Africa in 48 years. Work on the first phase of a small boat marina started in 1990 when old industrial buildings were converted into a Victorian-style hotel, taverns, restaurants, a theatre and a maritime museum. Within two years the second phase was completed.

Unscheduled landing

A Lauda Air jet carrying 201 people made an unscheduled landing in Australia's Northern Territory yesterday after the pilot was forced to shut down one of the aircraft's two engines, the airline said. The Boeing 767, flying from Melbourne to Singapore, landed safely at a small airport serving Darwin, said Lauda Air's regional manager, Richard Froggatt. "It appears the engine suffered a loss of oil", he told Reuter in Sydney. Shutting down the engine was described as "a perfectly normal procedure".

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	12	14	14	14	13
Hong Kong	21	23	24	24	20
London	9	10	12	14	16
Frankfurt	9	8	10	13	15
New York	12	11	9	6	5
L. Angeles	19	17	17	18	19
Milan	18	16	16	16	17
Paris	11	11	13	15	15
Zurich	8	8	9	11	12

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

No escape from the dreariness

Michael Skapinker wonders if flying first class has had its day

Air passengers travelling on the 1950s Boeing Stratocruisers used to enjoy space and comfort beyond the dreams of today's travellers.

Modern airlines offer stereo headsets, "amenity packs" with diminutive toothbrushes, in-flight aerobics and "adjustable lumbar supported seats".

But none of these can hide the truth. There is little free space on a modern aircraft and few opportunities to escape your seat. As the writer Anthony Sampson said: "Air travel has become the most constrained form of mass transport since the slave-ships."

Some have tried to escape by paying large sums to fly first class. But even that option looks set to disappear from many airlines. KLM, the Dutch carrier, has abolished first class. Virgin Atlantic, Continental Airlines and Air Canada now offer an upgraded business class instead of first class. Others are considering doing the same.

There are too few passengers who are prepared to pay the substantial premiums that flying first class demands. Hogg Robinson Business Travel says a typical return business class fare from London to New York is £2,208. The first class equivalent is £4,026. Business class return from London to Tokyo is £3,274. First class is just under £5,000.

Is first class worth the cost? You might imagine that writing about travel for the FT provides endless opportunities to fly first class. I have, in fact, only flown first class twice.

A daytime flight from London to New York suggested first class was a waste of money. You do have more space and fancier food and cutlery. But even in first class you cannot escape the essential dreariness of air travel.

Imagine sitting still for hours at a time – even in the most comfortable chair in your living room – getting up only to join a queue for the toilet and having a tray of food, however appetising, placed on your lap every so often.

However, the second journey, overnight from Miami to London, showed the value of first class. Unlike anywhere else on an aircraft, first class seats recline until they are almost horizontal. For those who can sleep nowhere except in a bed, first class seats provide a fair approximation.

United Airlines says many of its customers fly business class on day flights and first class overnight. But Mr Graham Atkinson, UK general manager, says there are still people who are prepared to travel first class day or night.

They include the owners of businesses, rock stars, sports celebrities, corporate lawyers, some architects and the heads of certain multinational companies.

First class is also still popular in Asia and in Latin America. Mr Atkinson says the economic dynamism of Asia means many business travellers can afford first class seats. Asian societies also tend to be more hierarchical than European or North American countries; he says directors of Asian companies often travel first class, senior managers business class and more junior employees economy.

He adds: "In Latin America, it's more a question of wealth being more polarised. People in senior positions have the ability to control spending and aren't as discriminating in how they spend other people's money."

Nevertheless, Mr Atkinson admits that, although there is a market for first class, it is not very large. In an average United first class cabin of 10 or 16 passengers, only two to four will have paid a full first class fare, he says.

The rest are there because they have accumulated enough frequent flyer points for a first class seat. Others have been upgraded as part of the airline's marketing drive. Customers from countries where the airline is trying to establish itself might be offered a first class seat for the price of a business class fare.

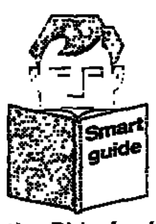
United is thinking about the future of first class. One option is to make it even better, attracting a larger share of a small market. Passengers could be offered seats which are even more like beds. Another alternative is to scrap first class and give business class passengers more room and better facilities.

This is what KLM, Continental and Air Canada have done. Although their seats recline further than in traditional business class, they do not quite reach the near-horizontal position of first class.

In Virgin's enhanced business class, Upper Class, the seats do recline to the near-horizontal. On some of its flights, Virgin offers a lounge and bar, attempting to provide some of the Stratocruiser's 1950s comforts.

The way we were: Stratocruiser passengers enjoyed space that today's travellers can only dream of

Where to find a room with a view in Bonn



Heads of state are likely to remember their visit to Bonn for one reason at least – the Petersberg. One of the highest hills in the Rhineland, it is adorned with one of the most palatial buildings in the area and has become an obligatory stopover for visiting dignitaries. It is also a hotel bound to leave an unforgettable impression.

The Petersberg is a 15-minute drive from the centre of Bonn, and rooms start at DM325, rising to DM1,200 for a suite. The Rhein Hotel Dreesen, on the other side of the Rhine, is Bonn's largest family-run hotel and a favourite with visiting diplomats. Rooms start at DM195 (single) to DM370 for a double with a view to the river.

If your stay in Bonn is not short, then the Steigenberger Venusberg, tucked away in the woods above the town, has a formidable view of the Siebengebirge, the seven hills running alongside the Rhine. Rooms cost from DM215 to DM710, and there are good sporting facilities. For those who prefer the heart of Bonn there is the Domicil Hotel, a jumble of buildings around the corner from the quaint railway station. Rooms start at DM180 for a single.

Nightlife in the town that for years was Germany's capital is rather scarce, in no small part because it is stuffed with civil servants. But Bonn is also home to a university and there is a lively scene in the centre of town around the Sternstrasse and the Remigiusplatz. There are plenty of bars in the Südstadt – try the corner of the Weberstrasse and the Kaiserstrasse – or the Nordstadt.

Eating out in Bonn leaves something to be desired. Several Rhineland chefs mimic their French counterparts but all too often miss the mark. Too many places lack style; too many kitchens use far too much cream.

However, there are Italian restaurants which make up for that. Trattoria Pietro Robichon may be the most indifferent-looking building in Bonn, but the cuisine is some of the most captivating in town. Carlo Ruggiero, in the back streets of Kessenich, is also good, as is Caesareo, in Bad Honnef, on the other side of the Rhine. Halbedel's Gasthaus is among the most expensive – the food is good but the atmosphere rather prim.

A lively place in town is Bistro 14, a genuine French eaterie, but if you want to rub shoulders with political celebrities then Sasella, at the foot of the Venusberg, is always worth a try.

Ludwig van Beethoven was born in Bonn in 1770, and his birthplace in the Bonngasse has since been turned into a museum with a selection of original instruments and musical transcripts.

In the early 1980s, long before there was any prospect of reunification, grand plans were launched to build a handful of museums which would give Bonn a bit more gravity. Three museums have since been built in a row and are well worth a visit.

The last to open was the Haus der Geschichte which charts the 50-year history of the federal republic and contains a variety of leftovers, including the cardigan chancellor Helmut Kohl wore on his visit to the Caucasus in 1990 when he persuaded Mikhail Gorbachev, then Soviet leader, to agree to a unified Germany. And around the corner from the museums is the Bundestag, the German parliament.

If you are visiting in spring or summer, it is worth taking half a day off to steam up the Rhine on a boat. A trip to Mainz includes all the historical landmarks on Europe's greatest river. If you cannot make it that far, a sortie as far as Koblenz is also worth it.

Failing that, a stroll up the Drachenfels, among the highest of the seven hills, just south of Bonn, is a good idea.

Michael Lindemann

ARTS

OPENINGS

LONDON
Adventures in Motion Pictures opens a three-week season of Matthew Bourne's 1994 Scottish work, "Highland Fling" (left), at the Donmar Warehouse on Wednesday. This updated adaptation of "La Sylphide" uses the 1836 Lowenskjold score and gives a new spin on the Bonnie Scotland in which the original classic Romantic ballet was set.

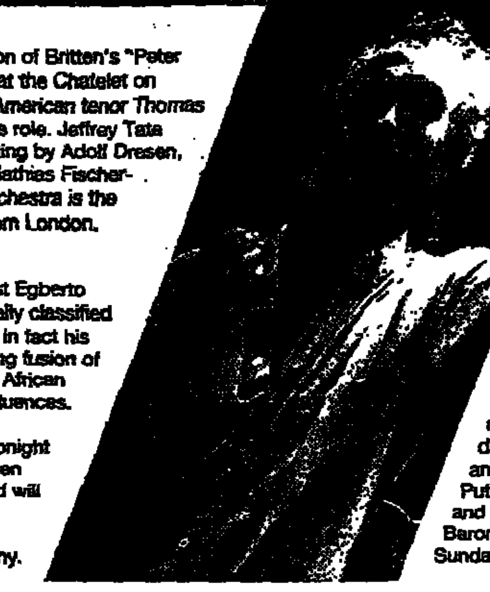
EDINBURGH
Scottish Ballet is showing its new "Swan Lake" staging, designed by Jasper Conran, at the Festival Theatre, Edinburgh, in a visit starting on Tuesday night.

NEW YORK
The Whitney Museum's Biennial - a survey of American Art over the past two years - opens on Thursday, with much more space given over to painting than the unfavourably-reviewed 1993 show. The exhibition includes figurative canvases by neglected artists such as Catherine Murphy and Jane Freilicher, abstract paintings by Brice Marden and Cy Twombly, and work by four artists from Canada and Mexico. The show will be seen in Prague in the autumn.

JERUSALEM
Judging by "Princely Taste and Patronage" at the Israel Museum, the Middle East peace dividend extends to cultural life. The museum originally planned the exhibition as part of its 25th anniversary celebrations in 1990 - but Syria was firing missiles into Israel at the time and art collectors were unwilling to lend. As soon as the accord with the Palestinians was reached, the organisers resumed their plans, and the result will be unveiled on Wednesday. The show is drawn from six major private collections, including Lord Rothschild's, and ranges from rare illuminated manuscripts to porcelain, tapestries and gold. Most of the 250 objects are of royal or princely origin, and some have never previously been seen in public.

PARIS
A new production of Britten's "Peter Grimes" opens at the Chatelet on Saturday, with American tenor Thomas Moser in the title role. Jeffrey Tate conducts a staging by Adolf Dresen, with decor by Mathias Fischer-Dieskau. The orchestra is the Philharmonia from London.

VIENNA
Brazilian guitarist Egberto Gismonti is usually classified as a jazz artist - in fact his music is a riveting fusion of ethnic Brazilian, African and classical influences. He launches his European tour tonight at Vienna's Reigen Kulturverein and will later perform in France, the UK, Italy and Germany.



BERLIN
A new production of Strauss's "Der Rosenkavalier" at the Staatsoper unter den Linden promises to be one of the highlights of the Berlin season. It is conducted by Donald Runnicles (left), who has been enjoying a meteoric career everywhere except his native Britain. The stage director is Nicolas Brieger, and the cast includes Ashley Putnam as the Marschallin and Gunter von Kannen as Baron Ochs. First night is on Sunday.

Playing safe with Jimmy at the Met

James Levine's early promise and musical achievements have not translated into strong artistic leadership. Andrew Clark reports that New York's Metropolitan Opera is in danger of becoming an operatic museum

It will be all smiles at the Metropolitan Opera on Thursday night. After easing himself through the pit to the conductor's rostrum, James Levine will take a bow, beam calmly at the orchestra and give a downbeat. The curtain will rise on Jonathan Miller's new production of *Pelléas et Mélisande*.

Even if the Met's 3,800 first-night patrons do not respond to Miller's interpretation, they can rely on Levine and his players to give a perfectly controlled performance of Debussy's music. When Levine takes his curtain call, it will be all smiles – because the Met's core supporters love their "Jimmy".

Like Shostakovich's *Lady Macbeth of Mtsensk* last November and next month's revival of John Corigliano's *The Ghosts of Versailles*, *Pelléas* is an attempt to show that the Met has an artistic conscience, that it is open to 20th century repertory and a variety of production styles. But this is unlikely to convince the Met's critics. They argue that strong artistic values come bottom on the management's list of priorities, and that as long as Levine is artistic director, the Met will function like an operatic museum.

"Levine has no ideas about opera as a dramatic entity," says Peter Davis, music critic of *New York* magazine. "When you think of the impact he made in his early years, he has been a big disappointment. His musicianship has stagnated, he has let others usurp his prerogatives. He is living in a cocoon, and the Met's management encourages it. For his own good, it's time he moved on."

Since his debut there in 1971, Levine and the Met have become synonymous. He was appointed principal conductor in 1973, music director in 1976 and artistic director in 1986. His contract is renewed annually, with a lead-time of four years. Now 51, he is one of the most powerful classical musicians in the world, free to choose repertory and casts, and to record what he pleases.

With the help of his agent Ronald Wilford, kingmaker in American orchestral life, Levine has built his career astutely. He confines guest appearances to top orchestras like the Berlin and Vienna Philharmonics, and prefers working in an atmosphere of continuity. Since 1976 he has spent every summer at Salzburg or Bayreuth. He stays in New York for most of the Met's 30-week season – a rare example of dedication among today's jet-setting maestros.

A roly-poly figure with a towel permanently slung over his shoulder, Levine is popular with colleagues. He is jovial and untemperamental, and has a patter that puts everyone at their ease. He is an expert rehearsal manager and accompanist. He also has vast knowledge of the repertoire. Born in Cincinnati, he started playing piano at the age of four, was George Szell's assistant at the Cleveland Orchestra and has conducted everything from Gluck to Berg at the Met. Thanks to Levine, the Met has kept its reputation as the world's leading singers' house. He has also turned the Met orchestra into an extremely plush and responsive ensemble, with its own concert series, tours and recordings.

> *'For his own good, it is time he moved on'*

But these musical achievements have not translated into strong artistic leadership. There are those who feel he has less and less appetite to assert himself, and little idea what to assert. They argue that this has created a power vacuum into which others have stepped. He is, some claim, surrounded by a coterie of sycophants and has no public persona.

From 1974 to 1981, the Met had a director of production, John Dexter, who contributed a series of tightly-organised stagings and introduced important 20th century works. Levine's subsequent partners have been accountants and administrators, with one eye on the box-office and the other on the Met's ultra-conservative board. By the late 1980s Franco Zeffirelli's lavish, dramatically unmoving productions of Verdi and verismo had become the norm.

When Joseph Volpe became general manager in 1990, it was a bit like appointing a Cockney to run Covent Garden. Volpe joined the Met 30 years ago as an apprentice in the carpentry shop, and worked his way to the top. Admired for his feisty style, he now takes all key decisions. Volpe is adamant that the Met should continue to stage standard repertoire in a traditional way, and has brought in Giancarlo del Monaco as Zeffirelli's successor. "Frisky" productions are reserved for frisky repertoire, on a lower budget. If the result is a disaster, it can be written off at minimum cost. If it is a success, it will pay its way and improve the Met's image.

Levine and Volpe act as custodians of the Met's fortunes rather than visionary leaders. "The policy of the Met artistically has to do with what happens on any individual night, and how to make the results better," says Levine. "It has very little to do with personal artistic agendas. Opera is still 80 per cent a question of voice and personality, and only 20 per cent what a person looks like and where they stand on stage."

He says he tries to programme works which have some guarantee of joining the Met's long-term repertoire – "pieces we can revive, tour and televise. This entails doing them in reasonable versions that various kinds of singers can function in. The trade-offs are obvious. We're not talking about a great festival idea."

The corollary is that the Met does everything 15 or 20 years late. Janáček's *Katya Kabanova*, for example, entered the repertoire in 1991 – long after it had been given in the world's other major houses. Schoenberg's *Moses und Aron*, a milestone of 20th century opera, will not reach the Met until a year before the millennium. Levine is also cautious about singers – preferring established stars and "dinosaurs" like Teresa Stratas and Donald McIntyre, who are familiar and dependable but long past their best. The roster of guest conductors is uninspiring. The consensus among critics is that if the Met wants to be conservative, the standard of performance should be higher.

Levine's own performances are never less than well-prepared. He is at ease with technical problems and has great stamina. Nevertheless, he has not developed in the way many of his early admirers had hoped. Videos and tapes of Verdi performances in the late 1960s and 1970s suggest something more robust and engaged than today. His Bayreuth *Ring* last summer was beautifully polished but untheatrical. His *Parsifal* is so slow that it sags.

"Everything he demands is only musical – that's why his performances are so disconnected from what's happening on stage," says a member of the Bayreuth festival orchestra. "He's too nice, he just slides in his wishes on the back of a compliment. He will never be a great Wagner conductor, because there's no sense of tragedy or conflict. He's like a conducting *Tonmeister* (recording producer) – he has everything under control. But when it comes to the performance, the inspiration of the moment isn't there."

Various theories have been put forward to explain Levine's apparent loss of vitality. One is that he is paying the price for getting to the top so easily: there are no worlds left to conquer. Another is that he lacks the depth of personality which turns a good musician into a great conductor. Some critics believe Levine shares the same defects as Zubin Mehta and Seiji Ozawa – all fine musicians, who modelled themselves on Karajan and Bernstein but failed to adapt to a changing musical world.

Levine believes he has enough unfinished work at the Met to last another ten years. He has no urge to expand his symphonic work – "I'd rather do 20 *Figaros* than six repetitions of a Prokofiev piano concerto" – and says opera and chamber music were always his forte. "Somewhere in the first few years of the next century, I'd like to do the things I can't do in my present situation – some more small works, some more new works. I'd like to travel, and never commit myself administratively again."

Theatre

Stroke

The Etcetera Theatre will close in May if it cannot get the money for a fire escape. If it goes it will be a loss, for these tiny pub theatres are invaluable testing grounds for young writers.

Simon Millstone's *Stroke* is a case in point. Only his second play, it approaches a difficult subject with evident sincerity and touches on the topical question of euthanasia. The weakness of the play is that, instead of grappling with the issue and writing to his strength – which is the compassionate depiction of raw, ragged love and ambivalent feelings – Millstone incarcerates the whole subject in a reductive moral plot that is as synthetic as the spiked chocolate cake which ends the show.

Millstone focuses on Max and Rifka, an elderly Jewish couple living in Muswell Hill. Once happily married and full of vigour, they are now living in the shadow of Rifka's stroke. She is reduced to a helpless bundle in a wheelchair; he is condemned to watching her cry and trying to work out whether her tears signify pain or emotion. Their plight goes unrecognised by the callous world at large. But Max has a plan. He decides to sell an old painting, a family heirloom. Enter Lisa, a tough little art dealer.

From the moment she marches in with her smart briefcase we know she is going to screw the old couple out of their due; but Max is wise to her. He frames her with a fake and then proceeds to paint her into a corner. Unable to face helping his wife out of this world himself, he employs the unwitting Lisa to do it for him.

There is a certain gratification to see the nasty little money-grabber outwitted by the impoverished old man. But the plot is far too schematic and the clash of worlds too simplistic for the good of the play. It is impossible to take Lisa's thoroughly heartless, one-dimensional, cliché-spouting character seriously, although Philippa Gatty does the best she can; and your attention is deflected from the most important issue – the relationship between Max and Rifka and the agony of Max's dilemma.

This is the area where Millstone writes best, using great imagination and sensitivity to enter into the living hell of the felled woman and the pain of her husband. When Max takes Rifka's face in his hands and implores her to let him hear her voice one more time, a lump rises in your throat. Gilly Daniels is sadly convincing as the mute, slumped Rifka and David Smidman throws himself into the part of the charismatic Max with enormous energy. But we are just beginning to get close to the real questions that the play raises when it comes to an end. An elaborate frame never did a heartfelt portrait any favours.

Sarah Hemming

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

THEATRE
Het Muziektheater Tel: (020) 551 89 22
● Schoenberg Trilogy: new productions of "Die Glückliche Hand", "Von Heute auf Morgen" and "Erwartung" and the first time these three one act operas are playing in one performance. With David-Wilson Johnson, Isoldé Elchlepp and conductor Winfried Maczewski; 8pm; Mar 22, 25

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Mar 22, 25
● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 24
● Ring um den Ring: by Wagner. Ballet based on "The Ring Cycle", choreographed by Maurice Béjart; 7pm; Mar 21
● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7pm; Mar 23, 26
Staatsoper Unter den Linden Tel: (030) 200 4762
● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Mar 26 (6pm)

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Chamber Orchestra of Europe: with pianist Gerhard Oppitz. Iván Fischer conducts Stravinsky and Beethoven; 8pm; Mar 21
● Frankfurt Opera House and Museum Orchestra: Jia Lü conducts Hindemith and Beethoven; 8pm; Mar 20
● South Western Radio Orchestra: with mezzo-soprano Vesselina Kasarova and tenor Zoran Todorovich. Peter Falk conducts a variety of operatic pieces; 8pm; Mar 22

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Mahler Festival: this concert opens the second part of Michael Tilson Thomas' Mahler festival, the highlight of his final season as the principal conductor of the LSO. This performance includes the UK premiere of Schnittke's "Concerto Grosso No.5"; 7.30pm; Mar 22
● Mahler Festival: Michael Tilson Thomas conducts the London Symphony Orchestra with tenor Ben Heppner and baritone Thomas Hampson to play Mahler and Rott; 7.30pm; Mar 26
Royal Festival Hall Tel: (0171) 928 8800
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts Britten, Schoenberg and Shostakovich; 7.30pm; Mar 23
● Cologne Radio Symphony Orchestra: with pianist Lars Vogt. Hans Vonk conducts Beethoven and Bruckner; 7.30pm; Mar 20
● Grand Classical Gala: National Symphony Orchestra conducted by David Coleman plays a variety of operatic pieces; 7.30pm; Mar 26
● Royal Philharmonic Orchestra: with pianist Yefim Bronfman and conductor Vladimir Ashkenazy plays Bartók and Shostakovich; 7.30pm; Mar 21
● Royal Philharmonic Orchestra: Vladimir Ashkenazy conducts Beethoven and Shostakovich; 7.30pm; Mar 25
Wigmore Hall Tel: (0171) 935 2141
● Mariinsky-Kirov Series: with baritone Dmitri Hvorostovsky and pianist Mikhail Arkadiev. Programme includes Arie Antiche and songs by Glinka and Sviridov; 7.30pm; Mar 20
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 23, 25
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 22, 24
Royal Opera House Tel: (0171) 304 4000
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 21, 25 (7pm)
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell; 7.30pm; Mar 22, 23
THEATRE
National, Olivier Tel: (0171) 928 2252
● Women of Troy: by Euripides, translated by Kenneth McLeish and directed by Annie Castledine; 7.15pm; Mar 20

■ NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: with soprano Gillian Webster. Sir Colin Davis conducts Mozart and Mahler; 8pm; Mar 21 (7.30pm)
● New York Philharmonic: Sir Colin Davis conducts an all-Sibelius programme; 8pm; Mar 23, 24, 25
Carnegie Hall Tel: (212) 247 7800
● Cincinnati Symphony Orchestra: with soloists Katia and Marielle Labèque. Jesús López-Cobos conducts Wagner and Bruckner; 8pm; Mar 20
● Orchestra of St. Luke's: with soloist Alicia de Larrocha. André Previn conducts Mozart and Haydn; 8pm; Mar 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Idomeneo: by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 25
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 20, 24
● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Mar 23
● Tosca: by Puccini; 8pm; Mar 22, 25
New York City Opera Tel: (212) 307 4100
● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/Richard Drews; 8pm; Mar 25
● The Merry Widow: music by Lehár, English book adaptation by Robert Johanson. Conducted by Eric Stern, directed by Robert Johanson; 8pm; Mar 26 (1.30pm)

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with baritone Boris Martinovic and pianist Michel Béroff. Victor Puhl conducts Mozart, Mussorgsky and Prokofiev; 8.30pm; Mar 23
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Chamber Music: with violinists Fréderic Laroque, alto Jean-Claude Dewaele and counterbass Thierry Barbé from the Orchestra of the National Opera. The programme includes Bach, Telemann and Mozart; 8pm; Mar 21
Various Venues Tel: (1) 43 85 66 00
● Banlieues Bleues: month long jazz festival. Artists include Betty Carter, Abbey Lincoln and Shirley Horn; to Apr 15
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tate conducting the Philharmonia Orchestra; 7.30pm; Mar 25
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gegam Grigorian and Gaetan Laperriere; 7.30pm; Mar 20, 23

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with violinist Robert McDuffie and organist William Neil. James Paul conducts Berlioz, Bernstein and Saint-Saëns; 8.30pm; Mar 23, 24, 25
● Stuttgart Chamber Orchestra: Dennis Russel Davies conducts Mozart, Schnittke, Britten and Boccherini; 7.30pm; Mar 20
GALLERIES
National Gallery Tel: (202) 737 4215
● Claes Oldenburg: an anthology containing drawings, sculptures and constructions; to May 7
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Carmen: by Bizet. A new production with Denyce Graves in title role. Ann-Margret Pettersson directs a production by Lennart Mörk. In French with English surtitles; 8pm; Mar 25 (7pm)
● Tiefland: by Eugen d'Albert. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 23, 26 (2pm)

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Count down to success

Michael Skapinker and Ralph Atkins on tonight's rocket launch

When the countdown begins tonight for the launch of the Arianespace flight 71 rocket from French Guiana, the European consortium will not be the only ones praying for a trouble-free lift-off.

After a series of crashes, the entire commercial satellite-launching community believes its reputation is at stake.

"This launch affects all of us. A success will be a success for everybody," says Mr Jack Hugus, a senior space executive at Martin Marietta, the US company which is second to Arianespace in the worldwide satellite launch market and which last week merged with Lockheed, the US defence group.

Flight 71 is the first for the French-controlled consortium since an Ariane rocket and its US satellite payload crashed into the sea off French Guiana in December. In January last year, another Ariane rocket failed, with the loss of both a European telecommunications satellite and Turkey's first communications satellite.

Another jolt to the industry's confidence came in January when a Chinese rocket carrying a satellite built by Hughes Aircraft of the US exploded shortly after launch. There have been several other setbacks for China's ambitious space industry, including the 1992 failure to launch an Australian communications network satellite.

Tonight's Ariane launch, which will carry a European television broadcasting satellite and a Brazilian telecommunications satellite, has been delayed for a week by technical difficulties. Engineers found a leaking helium pipe in the launcher's third stage. Similar problems were responsible for both Ariane's failures last year.

The most immediate effect of failure tonight would be to increase worries in the insurance industry about the future of the commercial satellite business.

Tonight's launch has been insured for a record $410m. The premium, which has not been disclosed, was set before the Ariane crash in December.

Mr Simon Clapham, leading satellite underwriter at the Lloyd's of London insurance market, says rates as a proportion of the total insurance value are not yet as high as in the late 1980s.

But having lost money last year, insurers are already increasing rates for launch programmes. The impact could be significant: with premiums typically ranging from 15 to 30 per cent of the insured value, insurance accounts for a substantial proportion of the cost of launching a satellite. Failure tonight would almost certainly result in insurance costs rising faster.

Arianespace is convinced it has solved the problems which caused last year's two failures. In spite of its difficulties, the group retains a high level of credibility in the space industry. It had 10 successful launches last year and controls well over 50 per cent of the worldwide satellite launching market.

The commercial satellite-launching community thinks its reputation is at stake

A trouble-free lift-off tonight would enable western launch companies to turn their attention to the industry's otherwise positive prospects: in spite of competition from China, Russia, India and Japan, the worldwide growth of television and telecommunications has increased demand for satellite launches.

Over the past seven years, the number of commercial satellites launched has fluctuated: there were 14 in 1988, 23 in 1990 and 21 last year. But the worldwide order book is healthy with 68 satellites waiting to be launched – 38 of them by Arianespace.

Mr Stephane Picchiottino, a space analyst with the Paris-based consulting firm Euroconsult, says one of the factors increasing demand is that satellites launched in the early 1980s are now due for replacement.

Increased demand for television around the world has also boosted the satellite market. Mr Picchiottino estimates that television accounts for 75 per cent of the satellite market.

Telephone traffic, which accounts for most of the rest, is growing too, but more of this business is carried by cable than is the case with television.

Experts are divided over the industry's longer-term prospects, however.

Mr Picchiottino believes demand for satellites is now at the top of its cycle and that the number of launches will drop sharply after 1997. But Mr Hugus thinks this view is too pessimistic. He believes countries like China and India will find it much easier to meet the demand for new telephone services via satellite than by laying new cables.

He also believes that the appetite for satellite television will continue to grow.

He argues that demand for specialist channels will increase, with, for example, immigrant communities around the world receiving satellite programmes in their own languages. Mr Hugus' golf-loving father-in-law is shortly coming to visit him in his new home in Virginia, where he receives his television through a satellite dish. To prepare for the event, he has taken out a one-month subscription to a golf channel.

Until the far-off day when homes around the world are all connected to a fibre-optic network, only satellite can meet this demand, he says.

If he is right, there might be enough room for all the countries which are attempting to become satellite launch operators.

The Chinese are offering much lower prices to launch satellites than western operators. Russia is striving to compete too, but is hampered by the country's economic and political chaos.

As for Japan, its launchers are much more expensive than their western counterparts. Mr Picchiottino says the country appears more interested at present in guaranteeing its own self-sufficiency than in competing on the world stage. But if Japanese launcher costs come down, he believes the country could provide strong competition to western operators in 10 years' time.

Faith in the future will be dented, however, if Arianespace, the strongest group in the industry, runs into further serious problems. The satellite world should know whether it has 24 hours from now.

Decline of the human touch

A Swedish bank is winning customers with its computer voice system, says Claire Gooding

Dealing with your bank used to be a face-to-face affair at a local branch, and often involved a personal relationship with an individual manager. Now, however, that relationship is often with a telephone and involves limited direct contact.

However, that lack of human contact means that customer support is a large part of what is now called "relationship banking". But the success of this approach has been proved by the success of First Direct, where the UK bank's relationship with the customer is carried out entirely by telephone.

A new Swedish bank, Skandia, is taking the idea one step further. Why bother to speak to a person who merely tells you what is displayed on the computer screen, if you can speak straight to the computer and it replies?

The Stockholm-based provider of financial and insurance services obtained government permission to operate as a bank in January last year, and its previous experience with voice-based products from Syntellect, a US-based company, prompted it to explore the possibilities of voice-processing.

This time last year, Skandia Bank had no offices and no branches. Rather than travelling to a branch, all customers needed was a touch-tone telephone – not a problem in Scandinavia where 95 per cent are touch-tone handsets. It allows free access to the Interactive Voice Recognition system which Skandia uses to deal with most of its customer transactions. Since its start in October, the bank has gained 30,000 customers, dealt with by just a dozen staff on customer service duty at any one time.

Skandia's current accounts pay interest of about 3 percentage points more than is offered on savings accounts elsewhere and it charges about $1 for every transaction. This takes away unpredictable bank charges – the main cause of customer resentment in traditional banking – and gives customers an incentive to manage their accounts more efficiently.

When customers call the bank, they identify themselves with a series of identification codes transmitted to the computer via the touch-tone handset – a personal identification number, followed by the social security number and then the account number.

Once connected, customers are told their balance and their last transaction – research has shown that this is nearly always the first thing people want to know, even if they plan to use other services.

Stewart Ferguson

Ann Ross: 'I'm sure the people tried it once and like it so much that they use it continually'

At any time in the process, the customer can transfer to a human operator. This happens automatically if a user makes a mistake; as the bank operator answers the call, all the relevant details will appear on the computer screen. Bank staff can greet the customer by name and will have all the details in front of them.

Few customers ever need recourse to a human for routine transactions. They can use the system to check their balance, transfer money from one account to another, pay money to other banks, deal with regular bills, and have access to other traditional high street bank services. Deposits are made by post or giro, or by visiting Skandia's one front-desk office in central Stockholm.

The bank expected to attract customers with a high disposable income, but it also gained a relatively large number of retired and elderly people who apparently have the incentive and time to manage their money effectively.

The voice system operates 24 hours a day, although real people are only available to provide the human touch from 6am to midnight. It has caught on fast, according to Ms Elizabeth Rieger, the consultant who helped the bank to implement the Syntellect system. She says: "The customer likes the idea that you only pay for what you use, and that there are no hidden catches. Whatever you do, you have to pay for, but for that reason people tend to use it as a savings bank, rather than a transaction bank. For the bank, it's a cost-cutter, because they do not have to employ so many people to service the number of accounts."

'For the bank, it's a cost-cutter – it does not have to employ so many people'

Customers like the automatic message stating their balance and last transaction, and they can then ask for further information down the line, which can be confirmed by hard copy, including fax.

The bank system cost about SKr2m ($277,000) to set up, with the VocalPoint product from Syntellect, which deals with voice-processing, costing about SKr1.2m. The CallPath from International Business Machines, which deals with the link between incoming calls and the screens, cost about SKr600,000. The third component to the system, Application Link, which links the exchange with CallPath, was provided by Swedish PTT Telia at a cost of SKr400,000. Skandia claims to be the first bank using voice technology.

The success of the Syntellect Premier product in the parent insurance business was a factor in the bank's choice. Insurance customers had been transferring money in their unit-linked life assurance schemes since 1991, via Syntellect's older product, Premier, which handled about 150 calls daily.

Another user of voice technology is Bank of Scotland, whose CardCall customer service system has been using Syntellect's interactive voice response system to deal with its customers since 1993.

Bank of Scotland manages credit cards for several other financial institutions as well as its own. The telephone inquiries section works from 8am to midnight, whereas the voice-response line, CardCall, works 24 hours a day, seven days a week.

CardCall allows customers to telephone a special number, discover their balance to date and the last payment made. They can also ask for a replacement card, or for a reminder of their PIN number to be advised by post.

Ms Ann Ross of the bank's customer services division says: "We wanted to see how to improve the service to our customers, and we looked very hard for the right system, for a year or so beforehand."

She adds: "In July 1993, we were aware that there were a lot of financial organisations looking at 24-hour service, and this gave us a cost-effective way of achieving that."

The bank looked at the statistical reasons for calls, and discovered the majority were balance inquiries. This comes top of the touch-tone "menu" available to customers. Next on the menu is "have you received my payment?" The bank said that in December last year the system dealt with 7,759 balance inquiries and 2,204 payment inquiries.

Customers readily accepted the computerised voice-messaging service, partly because the bank went to great lengths to record "friendly" messages. The bank used its own customer service staff to record the messages. It believes that their experience – combined with a Scottish accent familiar to customers – made it a great deal easier for customers to accept the use of voice messages.

Ms Ross adds: "I'm quite sure the people using it are people who tried it once and like it so much that they are using it continually."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Wider need to secure client cash

From Mr David Grenier.

Sir, The Lex comment ("Client cash", March 17) highlighted the re-think now taking place of the traditional merchant bank practice of holding cash for the clients of the bank's fund management arm. Cash is, however, only the tip of the iceberg.

The broader issue that needs to be addressed is whether or not all client assets should be held independently and on an arm's length basis. The Goode Committee on pension funds visited the issue but did not come down on one side or the other in its final report. Trustees both of pension funds and charities will almost certainly want to consider the same issue further, given recent problems.

Our own belief is that the increasing demand for ring-fencing client assets points to the need for an independent provider of custody, nominee and banking services on an integrated basis. The practical value of this approach will, we believe, become even more apparent when five-day rolling settlement and Crest are put in place.

David Grenier,
Independent Investment Management,
11 Old Jewry,
London EC2R 8DU, UK

Not so frightening a picture

From Mr Stewart Vaughan.

Sir, Samuel Brittan, ("Defusing pension time bomb", March 16), like most pensions Cassandras, omits an important element from the equation. At present, he says, in Europe, two retired people are supported by 10 people of working age, and that this figure will rise to four retired people by 2040. In fact, with unemployment at 10 per cent, nine working people are supporting two retired people and one unemployed person, a ratio of 75:25.

Some prescient businesses are already wondering where they are going to find staff as the population ages. As the number of non-job seeking (retired) consumers increases, is it unreasonable to suppose that unemployment will shrink and that, in 2040, 10 working people will be supporting four retired people, a ratio of 71:29?The shift is far less frightening than the figures as presented by Samuel Brittan.

Two further factors must be taken into account. Not only will unemployment drop, but those presently encouraged to retire early will be encouraged to remain at work, falsifying present projections even more. Moreover, resources required to support an unemployed person, with family and mortgage, surpass those needed to support a retired person.

This is not to say there is no problem. It has always seemed to me that pay-as-you-go pension schemes are as unreliable as pyramid selling – "you pay me, and the next down the line will pay you".

The time bomb is not as explosive as the Cassandras would have it, but until the vision is cut down to size, European governments seem to be too petrified before its apparent enormity to take any more than cosmetic action.

Stewart Vaughan,
95 Avenue de la République,
75011 Paris, France

A very different picture of Bahrain

From Mr William Powell, MP.

Sir, Not everybody who read your article, "Militants jolt complacent Bahraini rulers" (March 16), will have recognised the country or regime which you describe. I have just returned from several days in Bahrain and have had the opportunity of talking to government leaders and to a great many others, by no means all of whom would regard themselves as government supporters.

The prime minister and his cabinet are not at all complacent about either international or domestic and social problems. Unemployment and its consequences is the top domestic priority but there will be no prosperity without regional stability at the same time.

Significant industrial diversification, not least in the aluminium industry, together with the promotion of a health services sector, are being actively pursued. Free education and health services are universally available.

Most of all, despite the absence of a western-style democratic constitution, Bahrain is a country without any form of censorship and there is universal access to the media, not least foreign TV channels.

Many will find your suggestion that outside influence is not at work naive. Your assertion that it was not was certainly not shared by the businessmen and diplomats to whom I spoke.

Bahrain is a long-standing and traditional friend to the UK, whose businessmen are welcomed, as are tourists and other visitors. Bahrain deserves well of Britain and the Emir, the prime minister and his government deserve our encouragement, support and confidence.

William Powell,
all party chairman for the gulf,
House of Commons,
London SW1A 0AA

TV reform needed for UK production to thrive

From Mr Michael Green.

Sir, If Christopher Dunkley ("In thrall to political correctness", March 15) is going to comment on what he calls my "rare appearance in print" in the Daily Mail recently, he might at least bother to read past the first few lines. In claiming that my arguments for reform of the cross media ownership rules have nothing to do with programmes, he could not be more wrong.

The whole thrust of our case is that by preventing terrestrial broadcasters from expanding in their own market or entering the growing cable and satellite sectors, the current rules keep British commercial television in a straitjacket and leave the field clear for overseas companies with vast libraries of imported programmes. If we hold back the companies that actually invest in UK production, our production base will shrink and imports will grow.

Carlton is a leading producer and commissioner of UK programmes, and we would like to do more. Production is a high cost, high risk activity relying on the abundant talent that we are fortunate to have in the UK. It also needs strong companies with financial muscle; that is why the relaxation of ownership limits is so important.

Calling for television to provide the same range of political flavours as newspapers, "from the right wing populism of *The Sun* to the soft, leftish agonising of *The Guardian*", is also wrong-headed. ITV licence holders have always been under a duty to provide balance and impartiality. Who wants television stations endorsing particular political viewpoints?

Accusations of "conformity" are also off beam. *The Cook Report*, the *Big Story* and *World in Action* provide ITV with a proud record in this area. *The War Machine* – a week long investigation of the arms trade – was hardly an exercise in cosying up to the establishment.

Jewel in the Crown, which Dunkley still dredges up, was broadcast almost 11 years ago. In recent years, ITV has invested unprecedented sums in home produced drama and the peak time schedule is all the stronger for it. *Sharpe*, *Cracker* and *Kavanagh QC* (all with audiences of well in excess of 10m viewers) demonstrate that high quality and good ratings can go hand in hand. Dunkley should welcome this trend. If the government wants it to continue, it should relax the ownership rules and allow larger companies, with the financial strength to invest in the future of British made television, to emerge.

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Mr Alphandéry plays for time

In coping with the crisis at Crédit Lyonnais, the French government has had to grapple with three different roles. The state is the owner of a bank which now stands revealed as losing FFr19bn in two years. It is the guarantor of a banking system of which Crédit Lyonnais is a prominent, if gravely weakened, pillar. And, as a government, it is concerned for the well-being of French citizens in general, including those many thousands who work for the bank and the millions of taxpayers who would foot the bill for a bail-out.

In the heat of a presidential campaign, there was only one way of handling the potential contradictions: creative procrastination. That might have been inevitable; but it may still not be the best outcome, for France and for European banking in general.

It would be wrong to dismiss out of hand the solution arrived at by Mr Edmond Alphandéry, the economy minister. By requiring Crédit Lyonnais to provide concessionary finance for Consortium de Réalisation (CDR), the entity set up to hold its under-performing assets, it provides a strong incentive for the bank to liquidate them as quickly as possible.

Crédit Lyonnais will also have to pay a high price for its past errors: it must sell much of its overseas network, hand over a significant proportion of its earnings to the government, and abandon most of its past ambitions to hold big stakes in industrial companies.

If this is not quite the "brutal rationalisation" urged on the bank in these columns, it is none the less *more brutal* than some had expected. The promise of accelerated job cuts *in its 66,000* workforce bears witness to that.

There is, however, an underlying weakness in Mr Alphandéry's solution. *Though he promises* privatisation, he does so with little urgency – not for at least five years, a timetable far too long to affect the *day-to-day decisions of* the bank's new management.

Business as usual

A similar air of business as usual surrounds CDR, the "bad bank" set up to hold Crédit Lyonnais's under-performing assets. Though separately owned by the state – thus taken off Crédit Lyonnais's balance sheet – it is to be run by the bank itself. That smacks a little too much of a book-keeping solution rather than a genuine attempt to manage the troubled assets in the interests of the taxpayers who will pay the price of any further deterioration in quality.

The Brussels competition authorities must now consider this proposal. They are unlikely to reject it outright. But at the least, they should insist on firmer promises of privatisation, with a detailed, more urgent timetable; and explicit guarantees that CDR will not drift back into the bank's arms once the immediate crisis is over. The message must be that a government dealing with a state-owned bank must resolve its competing roles in a way that is fair to taxpayers – and to competitors.

Business Links

The UK's Business Links initiative is in serious trouble, to judge from *a leaked government internal* audit report and reactions to it. *Launched three years ago by Mr* Michael Heseltine, trade and industry secretary, the *Business* Links programme was intended to provide a *national* network of some 200 "one stop shops" offering *high quality support services to* local businesses at arm's length from the government. In practice, the Links are in danger of becoming over-regulated, poorly managed entities in a state of endemic tension with other local business agencies, notably Training and Enterprise Councils.

It is depressing to note that yet another first-order government policy is suffering from the effects of poor preparation and implementation. According to the audit report, the Links programme was developed "in haste" with "insufficient time for full evaluation [of the pilots] and the establishment of best practice". The appraisal of Link business plans "has in general not been sufficiently rigorous", and "the medium and long-term viability of established Business Links is uncertain".

Once again – last time it was the Child Support Agency – ministers willed the end, believing that their clever and energetic officials could take care of the means. In this case, most of the problems were not only foreseeable: many people foresaw them at the outset.

It was always clear that the establishment of a third local agency, in addition to Tecs and *local chambers of commerce*, would risk adding to the confused *pattern of local business provision* which it was intended to eliminate. *Tension* between agencies whose state funding comes largely from different government departments – Tecs from the Department *of Employment, Links* from the Department of Trade and *Industry* – was equally predictable. And there was always considerable scepticism that Links would be able to survive on their own without DTI "pump-priming" funding after barely three years.

It was always a mistake to seek to impose a "top down" structure on local business communities which varied widely in their needs and resources. In many areas local enterprise agencies were flourishing, providing business support on a far more economical and user-friendly basis than Links are now. The establishment of Links should have been conditional on a rationalisation of the existing local agency structure by bringing together chambers and Tecs, although even that course presupposed that a new agency was needed in the first place.

Some 75 Links are now up and running, with a further 130 expected to be opened by the end of the year. The opening of new Links should be put on hold until an appraisal of the viability of the Link initiative is conducted and published. There should also be a study of existing provision area by area, and an assessment of the value likely to be added by a Link as a free-standing agency.

Border delays

In six days' time, seven of the 15 *member states* of the European Union will begin to implement the Schengen *agreement*, scrapping the remaining border controls between them. The move represents for those countries the fulfil*ment of the promise* contained in the Single European Act – the legal basis *of the single* market – to enable free movement not only of goods, services and capital, but also of people. As such, it is a praiseworthy demonstration of the benefits that can be derived for the *ordinary* citizen from the EU.

That at least is the situation in *principle*. Travellers between France, Germany, the Benelux *countries*, Spain and Portugal will be treated as if they were on *domestic journeys. Non-EU* visitors arriving in one of those countries *will subsequently* be able to move without further checks to any of the *others*. That already happens at most of their land borders. The new *move means it* will happen at airports, too.

The problem is just what will happen in practice. For this is going to be a very visible demonstration of the difficulties of building a multi-speed, variable-geometry Europe, in which not all the member states are willing to travel at the *same speed*, or enact the same policies. In this case, three more member states – *Austria*, Greece and Italy – are set to join the Schengen seven as soon as they have ratified the agreement. But Britain and Ireland, on the one hand, and the Scandinavian trio of Denmark, Finland and Sweden, on the other, have more fundamental difficulties. Will the laudable ambitions of the single market signatories be undermined by the inability to get them all to implement it at the same speed?

Already there are cries of anxiety from airport operators in the Schengen countries at the tiresome changes they are being forced to introduce to cope with a new category of travellers.

The Scandinavian countries have a specific problem: how to deal with travellers from Norway, who currently have freedom of movement, which they would lose if the others joined Schengen. That should not be beyond the wit of lawyers to resolve. The British, on the other hand, appear to have much more profound misgivings. As Prime Minister John Major has said: "Entry control makes sense for Britain as an island state, and we have no intention of giving it up." The Irish are unwillingly left in the cold by that British blockade: if they join Schengen, their *citizens* would be forced to face new passport controls with Britain – *a greater inconvenience* than the one they currently suffer on travelling to the *continent*.

The coming months will show if the Schengen system can be effective, partial though it is. The key is whether the common external controls of the member states prove workable. If they do, the British government should drop its objections, and allow its citizens to *enjoy the same* practical benefit of European integration as their fellow *EU citizens*.

France banks on bailout

The Crédit Lyonnais rescue is designed to draw a line under the bank's past mistakes, says **Andrew Jack**

Mr Jean Peyrelevade, chairman of Crédit Lyonnais, is probably entitled *to feel more optimistic* about the French state-con*trolled bank's prospects this week* than at any time since he took over *the helm two years ago*.

This follows the agreement on Friday of a radical rescue plan for the bank, designed to draw a line under its past mistakes and restore it to profitability in 1996.

The rescue package – announced jointly by Mr Peyrelevade and Mr Edmond Alphandéry, economy minister – will enable the bank to finance the losses on its bad assets over many years, through a complex scheme ultimately underwritten by the French state.

In exchange, the bank – once the largest in the world outside Japan – has agreed to implement sharp cost cuts to restore profitability, focus on its core activities and prepare for privatisation.

"*I have confidence in the willing*ness and ability of this great com*pany to reach [these objectives],*" Mr Alphandéry said as he unveiled the package. "*I know Crédit Lyon*nais is impatient to turn the page."

*For all Mr Alphandéry's confi*dence, however, several question*marks remain* over the bank's future prospects. For one thing, it is *not yet certain the package will be* approved by the competition authorities in Brussels.

The rescue plan also poses significant questions about *Crédit Lyon*nais's future viability and competitive strength. Finally, the background to the bank's problems raises broader concerns about the nature of corporate governance and regulatory supervision in France.

Last week's rescue was needed in part because Crédit Lyonnais had underestimated the risks of its lending – and hence the need for provisions – over the prior three years.

A series of writedowns had already helped drag the bank into the red with losses of FFr1.9bn in 1992 and FFr6.9bn in 1993. Yet under the terms of the new government rescue, it will be reporting a further FFr12bn in losses for 1994.

In addition, up to FFr135bn of assets in the *form* of property loans, industrial stakes and troublesome *subsidiaries are to be sold over the* next few years. In the meantime, *they will be hived off the balance* sheet or "ring-fenced" into a sepa*rate company so they do not drag* the bank's solvency ratio below the *internationally-agreed minimum*. Current estimates put the final loss *on these assets at FFr30bn-50bn*.

One of the most significant prob*lems* – not unique to *Crédit Lyon*nais – was property. Current esti*mates suggest some FFr28bn of the* bank's FFr45bn property portfolio will have to be written off. As part of the rescue, all of this is to be *ring-fenced and sold, with no fur*ther investment in property allowed in the future.

A further FFr45bn will come from the disposal of the bank's large shareholdings in industrial groups and companies entirely unrelated to banking. These were built up under a concept known as *"banque industrie"* pioneered by Mr Jean-Yves Haberer *during his chairmanship of* the bank between 1988 and 1993. These will now be abandoned.

The remaining FFr45bn of dispos*als will come from a series of bad* investments often linked to rising *business stars of the 1980s – such as* Mr Bernard Tapie, the controversial *French businessman* – whose record now looks less impressive.

The common theme behind so many of these activities now turn*ing sour was an intense* – even reckless – drive for growth. This *was started by Mr Haberer's prede*cessors but fuelled most of all by him. *The bank developed a slogan* to encourage potential borrowers which has *since come back to haunt* it: "The power to say yes."

This *drive for growth was coupled* with a dangerous absence of con*trol. "He was like a monarch," says* one individual who worked with Mr Haberer, a man who took to extremes the traditional hierarchi*cal management style of French* companies. Yet there was also *excessive delegation of vital lending* decisions in subsidiaries such as Altus, *a high-risk investment house*, where there was scant regard for *detailed assessment of risks or sup*porting documentation.

Crédit Lyonnais *argues that these* elements of its past could never be *repeated. First, it has dispensed* with the services of the executives *responsible. Second, it has changed* strategy, disposing of the assets *accrued under the old approach and* concentrating on just three areas: *retail banking in France and some* other European Union countries, *global wholesale banking and capi*tal markets activity.

Third, and most important, it says it has significantly reinforced *internal controls. Since Mr* Peyrelevade's arrival, it has reinstituted its *central risk committee responsible* for assessing large loans, which had *been disbanded. There is now an* executive management committee of four, which *Mr Peyrelevade says* meets twice a week and debates *openly all important decisions*. There is also an audit committee, on which he does *not sit to ensure* it is not restrained by his influence.

For all this, the bank still faces a number of substantial challenges. *The first is ensuring that the rescue* plan is formally approved.

Approval in Brussels – which is thought highly likely – will centre *on whether the authorities believe* that the French state will have to *meet its guarantee* and pay out more cash to support the bank.

Under the rescue plan, the French state will subscribe for FFr10bn in bonds – *paid for with a loan from* Crédit Lyonnais – which is expec*ted to generate FFr35bn net of costs* in 2014, when the plan formally ends. *The state estimates that it* will gain a further FFr15bn in proceeds from privatisation when it eventually takes place. These two sums should cover the losses on the *ring-fenced* assets once sold, unless they deteriorate further.

For now, the state says it will cover itself by taking a generous dividend each *year from the bank*, and an additional levy of 34 per cent of pre-tax profits up *to* 4 per cent of shareholder funds, and 60 per cent thereafter.

All of these structures should in principle save the taxpayer from paying out any more – unless a future administration quietly waives the obligations. Yet ironically the financial constraints they impose could themselves impinge on the bank's competitiveness over the next few years – in turn reducing its value in any privatisation.

The bank is also required to reduce its operating costs as a proportion of net income from over 80 per cent to 70 per cent – the average for its competitors – in four years. This is likely to involve heavy job losses: perhaps 10,000 of its 66,000 global workforce.

Mr Peyrelevade is unconcerned, saying that the bank will be able to make a profit of more than FFr1bn *in 1996, increasing to FFr2.5bn* within five years. He is committed *to selling an additional FFr100bn in* assets over the same period in addi*tion to the the ring-fenced* FFr135bn. This should give him *some room for manoeuvre*.

Yet judging by the continued fall *over the last few days in the certifi*cats d'investissement, the bank's *only traded shares*, investors are less sure. One analyst described it *on Friday as placing Crédit Lyon*nais in "manacles for many years."

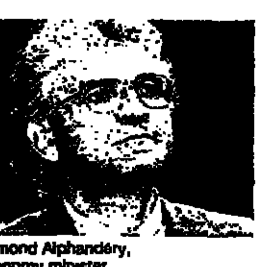
Meanwhile, *the rescue plans at* the bank have served to divert *attention from a broader debate*: that over general standards of cor*porate governance* in France.

The Crédit Lyonnais episode has *made clear that both the bank's* auditors and the state Banking *Commission approved* accounts which now seem inadequately pro*visioned. Mr Alphandéry conceded* on Friday that more still needs to *be done to strengthen* the number of banking supervisors.

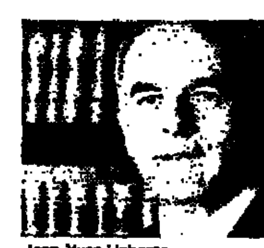
Equally, *there are many other* French companies where the chief *executive remains too dominant*. As Mr Peyrelevade says: "I am con*vinced we will be obliged to have an* equivalent of the Cadbury rules." *This is a reference to the UK corpo*rate governance code recommend*ing stronger boards*.

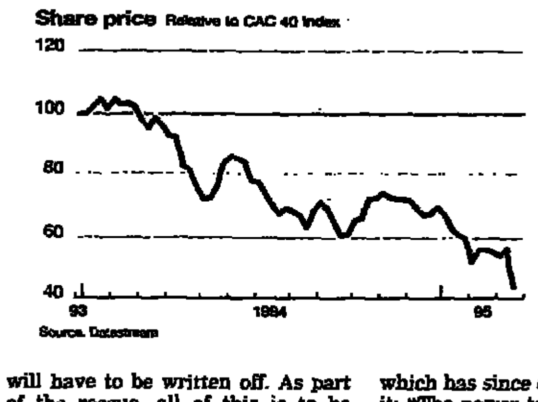
It is unlikely that there will be *another state-backed rescue* in France quite like that at Crédit *Lyonnais. But many of the wider* problems the episode has high*lighted in governance and supervi*sion remain to be tackled.

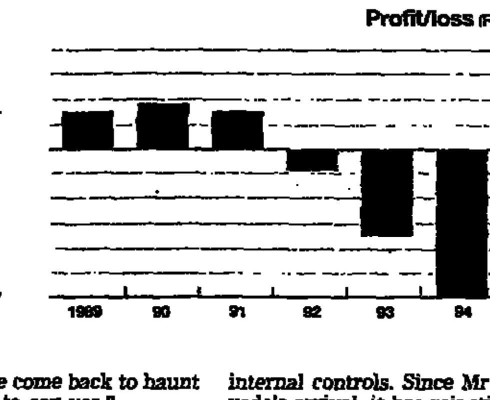
Crédit Lyonnais: can it fix the hole?


Edmond Alphandéry, economy minister


Jean Peyrelevade, the bank's chairman


Jean-Yves Haberer, the bank's former chairman





Haig Simonian argues that privatising the nuclear industry will be hard for the UK government

Power politics

British ministers must have an extraordinary capacity for self-deception. How else can one explain the enthusiasm of some to privatise the nuclear industry before the next general election?

In the past week, a string of industry bigwigs has been lobbying and leaking to push their strategies for nuclear power's future ahead of the government's nuclear review, which is expected to be published in mid-April.

The rest of the formerly state-owned electricity industry is already in private hands. But Nuclear Electric and Scottish Nuclear, the two power generators, and British Nuclear Fuels, a reprocessing and nuclear services company, remain in the public sector.

It is understandable that the government wants to privatise the nuclear industry. Previous energy privatisations have shown that sell-offs are a commercial tonic to companies. The management is freed from government-imposed financial strictures and a greater commercial spirit is fostered. Competition can be introduced and prices held down – or even reduced.

However, there have been several setbacks for the cause of privatisation recently, including public concern over "fat cat" salaries for top executives in former state utilities. The decision by Professor Stephen Littlechild, the electricity regulator, to reopen electricity pricing, after publishing a five-year review last summer, has also raised doubts over the UK system of regulating privatised energy companies.

But the greatest obstacle to selling off nuclear power is what to do about the 11 ageing Magnox reactors owned by all three companies. Developed 40 years ago by British scientists, the Magnox reactor was the world's first civil nuclear power generator. At the time, it appeared to lead the world into a new era of cheap, clean, nuclear-generated electricity.

Today, the Magnox reactors are obsolete. Newer technology, such as the US-originated pressurised water reactor recently put into operation at Sizewell in Suffolk, generates electricity more cheaply and is more reliable. More important, the Magnox units are nearing the ends of their useful lives: three have been defuelled – the first stage in the lengthy and complex process of decommissioning that will end in their demolition. Most of the rest are expected to go out of service around the end of this century.

The expected costs of the decommissioning have been budgeted for, but the final costs and the timing could vary considerably. This uncertainty led the government to withdraw the nuclear reactors from the sale of the rest of the electricity industry in 1989, after it became clear that the private sector would not take on an open-ended and unquantifiable commitment.

At least one of the companies – Nuclear Electric – claims that state ownership means it is missing business opportunities. Demand for nuclear plant has dried up in the US and much of Europe because of cost, safety and environmental concerns. But in the the Far East and Latin America, there are still plenty of countries keen to meet their increasing electricity needs from nuclear power.

Mr John Collier, Nuclear Electric's chairman, complains his company is losing business in these markets to private-sector competitors, such as Siemens and ABB, because of its lack of independence. State ownership prevents it taking equity stakes in projects, while its borrowing powers are strictly limited. But Nuclear Electric cannot be privatised until the fate of the Magnox stations is resolved.

The government's answer is to hive off the Magnox stations. Three options are under consideration: splitting the stations into a separate concern which would remain under state control; letting Nuclear Electric (which has most of the Magnox plant) run them all under licence from the government; or giving them to BNFL (thereby tacitly admitting that BNFL cannot be privatised because of its controversial reprocessing activities).

Divide and sell is the easiest option, and has been done before. The government is in the throes of divesting the commercially viable bits of the *UK* Atomic Energy Authority, after a similar restructuring which split the body into three parts, two of which have gone private.

The decision will be taken as part of the government's nuclear review, which has been considering the future of the companies since 1989.

Mr Michael Heseltine, trade and industry secretary, and Mr Tim Eggar, energy minister, are wary of privatisation until after the next general election, fearing a political backlash. Others such as Mr Kenneth Clarke, the chancellor, Mr Michael Howard, home secretary, and Mr John Gummer, environment secretary, are believed to favour privatisation as soon as possible. The Treasury, in particular, is keen to bring in privatisation income as soon as possible.

The record of the UK nuclear industry in terms of safety and environmental awareness is creditable compared with some other countries. But public concern over the industry, and the controversy over the already privatised utilities, mean that early privatisation is unlikely. Only the most optimistic politician could imagine that a divestment this difficult could be pulled off at present.

OBSERVER

Woo setting the pattern?

■ Does Peter Woo, the Hong Kong tycoon who controls the Wheelock and Wharf conglomerates, want to be Hong Kong's first chief executive after China takes over in 1997? Speculation increases that the son-in-law of Sir Y K Pao, the late shipping magnate, has his eye on high office.

A matter of days after Woo was made chairman of the colony's Hospital Authority, he announced plans to hand over the chairmanship of Wheelock to Gonzaga Li and become honorary chairman. Li took over the chairmanship of Wharf last year but Woo continued to take a keen interest in the company's business, especially its $200m Yankee bond issue last October.

His decision to scale back his business involvement at such a tender age – he is not yet 50 – has sparked interest in what he plans to do next. If he put in a bid for the ceo's job it would mark a big *change in Woo's thinking*. Only last year he told the Financial Times that he felt it would be the wrong thing for a businessman to do.

"The general view is that a businessman would have too many conflicts of interest, and I support that. I think you should do what you know how to do, and I feel comfortable in the business environment," said Woo.

However, Woo's moves suggest that he might be tempted to change his mind. With a family fortune estimated by Forbes magazine at $3.3bn, Woo could afford to take time off for public service.

White flag

■ Whither S G Warburg, once the City's bright white hope for admission to the alluring club of *bankers to the globe*? Interpreting the cacophony of signals issuing forth from Warburg since the failure of the Morgan Stanley marriage and the subsequent resignation of Lord Cairns has become something of an art form. So customers might be more than usually interested in current Warburg publicity.

Notwithstanding the obligatory world map and swollen list of international outposts, the message atop the latest advertisement seems pretty unambiguous. A company "Committed to Specialist Banking" sounds an awful lot like one that is trying to make the best of the fact that it has checked in ambitions to *build a global franchise*.

Board support

■ International business executives have always been a fairly close-knit bunch anyway. But recent events can only have helped bolster fellow-feeling between Pierre Suard, chairman and chief executive of Alcatel Alsthom, and Cesare Romiti,the boss of Italy's Fiat.

Romiti was one of 14 directors of the French industrial company who a week ago put on record "confidence and support" for Suard, who is under investigation for alleged overbilling of France Télécom. Entirely separately, Romiti received a formal notice, three days later, that he was being investigated, *in Italy, for alleged* false corporate reporting.

Romiti, who has come through other investigations in recent years, is a good deal *better off than his* French counterpart. At no time has the judicial brouhaha prevented him from steering Fiat's recovery from 1993's record losses. *Suard, by* contrast, is barred from his office and has *to seek a magistrate's* permission should he wish to venture abroad.

Perhaps the best advice Romiti could offer Suard – apart from denying the allegations, which both men have already done – would be to hold firm. Whereas an investigation of the humblest government official made headlines when Italy's corruption scandals first erupted, the latest news on Romiti merited only a few column inches in Italian papers.

In-felicitations

■ Costis Stefanopoulos, Greece's new president, never had the keenest sense of political timing. Despite having held a string of cabinet posts, he failed twice in the 1980s to become leader of Greek conservative party New Democracy.

The centre-right party he then formed, Democratic Renewal, was disbanded when it failed to win a single seat in last summer's European Parliament *elections*.

Suddenly, with his election to the presidency earlier *this month*, Stefanopoulos has been enjoying an unexpected *come-back*. Naturally enough, Macedonian president Kiro Gligorov was *among those to send* his congratulations. Headed *"Republic of Macedonia" – a name* Greece still refuses to accept – the *missive was sent promptly back* whence it came.

But the country is again under US pressure to straighten out *relations with Macedonia, and is in* the dock at the European Court of Justice *for blocking EU trade* with Skopje. So was it really the best moment *for Stefanopoulos* to clamber on to his high horse and rebuff the Macedonians?

Small change

■ There is a minor discrepancy between the figures quoted by Crédit "Debit" Lyonnais in a document being circulated today to *staff*, and those produced by the government. The bank puts a value of FFr131bn on the assets it proposes to hive off the balance sheet, FFr4bn less than the government's total. Ah well, what's a few billion between friends.

The Financial Times

100 years ago

A police raid in the City

The police arrested Mr MacBrair, a well known member of the "House" [Stock Exchange]. That gentleman rather foolishly struggled to release himself, but was finally led off in the custody of three stalwart City policemen. The number of police in charge of the prisoner was being rapidly increased at every moment, and one of these reinforcements, consisting of a sergeant and two or three constables, was rendered temporarily *hors de combat* by the crowd of brokers and jobbers good-naturedly pushing the men against the wall.

50 years ago

South Africa air plans

Cape Town: Lord Swinton, British Minister of Civil Aviation, who has come to South Africa to attend the Empire African Air Conference, said that Union Castle and certain other shipping lines might, if they wished, participate in air services between South Africa and the UK. They would *not* be allowed to run their own *services. They could come in as* "junior partners" with British Overseas Airways Corporation.

FINANCIAL TIMES
Monday March 20 1995

Major patches up rift with US over Sinn Féin

By Kevin Brown, Political Correspondent, in London

Mr John Major, the British prime minister, yesterday patched up a week old rift with the US over Northern Ireland as Sinn Féin, the political wing of the IRA, claimed that talks with British ministers were likely to begin within two weeks.

In a 25 minute telephone conversation, Mr Major and President Bill Clinton agreed that progress towards the decommissioning of IRA weapons was essential before ministerial talks with Sinn Féin could start.

However, Mr Martin McGuinness, head of Sinn Féin's delegation in peace talks with British officials, said the two sides were "quite close" to agreeing terms for the organisation's first discussions with ministers.

Mr McGuinness said he was "hopeful" that talks with ministers could take place within 10 to 14 days, laying the groundwork for the inclusion of Sinn Féin in all party talks with Northern Ireland's four non-violent political parties.

Mr Major's conversation with Mr Clinton, described by Downing Street as "businesslike and thorough", signals a thaw in Anglo-American relations after a frosty eight day interlude during which Mr Major declined to talk to the US president.

The rift followed Mr Clinton's decision to meet Mr Gerry Adams, Sinn Féin president, against the advice of the UK government. Mr Adams was also allowed to raise funds for Sinn Féin in the US.

British officials said Mr Clinton had acknowledged the importance of the weapons issue. He assured Mr Major that Mr Adams was told of the US government's concern that "serious discussions on decommissioning should begin, and begin soon".

Downing Street said the president also told Mr Major that he wanted to see "strict" accounting for funds raised by Sinn Féin in the US, which the UK government fears will be used to replenish IRA arms stocks.

A senior official said Mr Major had talked Mr Clinton through the "complexities" of the peace process, reflecting UK concerns that the US government does not understand the importance of reassuring Unionists about the talks.

The White House described the conversation as "positive and friendly". A senior official said Mr Clinton had "reiterated his support for Mr Major's determination to push forward the peace process". Mr Major will visit Washington on April 4.

Mr McGuinness told BBC television that "decommissioning of all weapons is on our agenda".

An agenda for ministerial talks has been sent to Sinn Féin. But Downing Street said no date could be set until Sinn Féin was committed to serious talks on decommissioning. "The ball is in their court," a senior official said.

Press Review, Page 5

Finland's Social Democrats set to lead coalition

By Christopher Brown-Humes in Helsinki

Finland's Social Democratic party was last night poised to return to power after the centre-right government of Mr Esko Aho lost ground in the general election.

With 87.5 per cent of votes counted, the Social Democrats, led by Mr Paavo Lipponen, had emerged as the largest parliamentary group with 28.2 per cent of the vote, compared with 22.1 per cent at the last election in 1991. It makes it virtually certain that they will form a coalition government, either with Mr Aho's rurally-based Centre party or with the Conservative party of Mr Sauli Niinistö.

The Centre party gained 21.5 per cent of the votes, against 24.8 per cent in 1991. The Conservatives polled 17.4 per cent, compared with 19.3 per cent.

The surprise was the stronger-than-expected showing of the Centre party, which lost comparatively little ground despite leading a government that has presided over Finland's deepest recession this century, between 1991 and 1993.

This gives the Centre party a strong position in coalition talks but it is thought Mr Lipponen would prefer to co-operate with the Conservatives, reactivating the red-blue co-operation of the 1987 to 1991 period.

The Social Democrats were in government for 25 years before being defeated in 1991. If they form the government this time, all four Nordic countries – Finland, Sweden, Norway and Denmark – will be led by Social Democratic administrations.

The Social Democrats are set to win 63 seats in the 200-seat parliament, compared with 48 in 1991. This compares with 45 seats for the Centre party, down 10 from 1991, and 38 for the Conservatives, down two.

The loss in support for the Centre party and Conservatives reflects disillusion with their austere policies. The two parties presided over a 13 per cent collapse in gross national product between 1991 and 1993 before a strong export-led recovery got under way last year.

Crédit Lyonnais

Continued from Page 1

with a series of tough financial targets imposed by the government as part of the deal.

Under the terms of the rescue package, SPBI, a company backed by the French state, will make a loan to cover FFr135bn in assets removed from the balance sheet of Crédit Lyonnais. The bank, in turn, will lend FFr145bn to SPBI.

SPBI will pay interest to the bank at 7 per cent in the first year and 85 per cent of money market rates thereafter. It will cover these payments from the proceeds of sales of the assets, from dividends directly from the profits of Crédit Lyonnais and from the eventual proceeds of privatisation.

However, in the first year Crédit Lyonnais will pay no dividends because it will make a loss, and proceeds from asset sales and cash commitments already made by the state are likely to be less than the interest payments.

Government officials confirmed yesterday that there was likely to be a shortfall in SPBI's ability to pay sufficient interest on the loan during 1995, but maintained that no new taxpayers' money would be required. They argued that SPBI would delay payments until it had enough reserves, or finance the shortfall by seeking other commercial loans.

Meanwhile, the bank is likely to shed up to 4,000 jobs next year from its workforce around the world of 66,000, and up to 10,000 over the next five years. As part of its new strategy to focus on retail banking in France and other European countries important for its French customers, it will sell branches in Africa, Latin America and some European states.

Currency markets braced for upheaval

By Gillian Tett and Lionel Barber

Currency markets are braced for more turmoil this week, raising further concerns about strains within the European Union's exchange rate mechanism.

The degree of concern was underlined yesterday when Mr Jacques Santer, president of the European Commission, called on the Group of Seven industrialised countries to recreate an international system for co-ordinated intervention to avert upheaval in the currency markets.

Speaking after a meeting of European Union foreign ministers in France, Mr Santer said that a mechanism for intervention was needed, similar to the 1980s Plaza Accord.

His comments reflect mounting worries in Brussels that the D-Mark's recent strength will cause serious strains within the ERM and undermine the single market.

Although EU finance ministers are expected to discuss the currency markets informally when they meet in Brussels today, market economists warned yesterday that turmoil is likely to continue.

Mr Nick Parsons, economist at Canadian Imperial Bank of Commerce, said: "Calls for co-ordination may make good headlines but won't change the hearts of foreign exchange dealers."

In recent weeks a flight towards safe-haven currencies has left the dollar and most European currencies at new lows against the D-Mark, prompting concerns about the currency arrangements within the exchange rate mechanism and speculation that Spain might be forced to leave the ERM.

Portugal and Spain have already devalued in recent weeks, while another four countries within the ERM have raised interest rates. However, the gap between the lowest and highest currencies in the ERM grid is now about 10 per cent – a level most market economists believe is unsustainably high.

Santer urges G7 to act on currencies, Page 3
Currencies, Page 25

Curtain up on backstage Bolshoi battle

Continued from Page 1

creative director. Last autumn, a presidential decree backed by Mr Kokonin sought to force the Bolshoi out of its dependence on state subsidies and on to a more competitive footing.

The decree abolished the old system of lifelong tenure for dancers and sought to introduce one of shorter-term contracts. The proposed restructuring, which has not yet been fully implemented, earned Mr Kokonin the ire of the chief choreographer and many of the Bolshoi's dancers.

But Mr Kokonin's efforts to restructure the Bolshoi faced another obstacle. With the collapse of the Iron Curtain, and the erosion of their traditional right to a job for life, many of the Bolshoi's dancers have been devoting the lion's share of their energy to working abroad or have left Russia altogether.

The combination of an authoritarian regime and generous state subsidies once held the Bolshoi ballerinas in privileged bondage to their company.

Both of those inducements are gone, and the grants from private corporations and high ticket prices that sustain élite western cultural institutions do not yet exist in Russia. The Bolshoi's most exciting dramas may continue to be played backstage for some time.

THE LEX COLUMN

Power profits

Britain's regional electricity bosses are badly bruised. Mr Stephen Littlechild's decision to review the price deal he cut with them last August comes on top of the pasting they have taken for their high salaries. There is a risk that, in negotiating a new price deal, the electricity chiefs will be so keen for a quiet life that they sell their shareholders' interests short.

Compromises will be necessary. But, on one point, the electricity companies must stand firm: there should be no clawing back of profits accumulated since privatisation. If Mr Littlechild tries to confiscate these, they should force the issue to the Monopolies and Mergers Commission where they would probably win. The only justification the regulator has for going back on his deal is to prevent excess future profits, not to expropriate past ones.

Such thinking also suggests that the electricity companies should stop trying to buy off the regulator by offering all customers one-off rebates – which is virtually an admission that he has the right to take back past profits. The better option is to agree to a price cap that prevents excess future profits. Not only would this mean that they would still be able to hand excess capital to their shareholders; it would also make political sense since a one-off rebate would soon be forgotten leaving the companies vulnerable to future regulatory shocks on the grounds that they were still coining it.

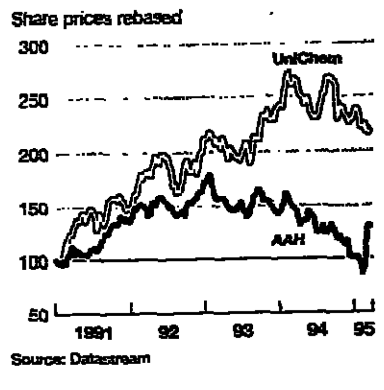
Big investors should tell the electricity chiefs to stand firm. They might also add that now is the time to prove they are worth their salaries.

AAH/Gehe

Gehe has convincingly proved that AAH deserves to lose its independence. Although the British group runs identical wholesale drugs operations to UniChem, its margins and trading profits growth have consistently been lower. AAH promises to do better, but the future does not bode well. Last week's defence document revealed yet more problems, this time in the soaps and toiletries business. There is little reason to believe that the stock, which has underperformed UniChem by nearly 60 per cent since 1992, will improve.

The remaining question is whether Gehe's bid is full and fair. At first glance it looks generous: the offer is 36 per cent above the pre-bid price and represents a multiple per share of about 20 times earnings

UK drugs wholesaling



Source: Datastream

for the year ending this month.

However, if Gehe can dispose of AAH's unattractive non-healthcare businesses without paying somebody to take them off its hands, the bid values the wholesaling business at only 13 times earnings. That is about the same rating as UniChem and offers no control premium.

True, AAH's wholesaling business is not as profitable as UniChem's, but its potential for improvement is consequently all the greater. Moreover, AAH is clearly valuable to Gehe: the German group needs to diversify geographically to offset the impact of imminent German healthcare reforms. The British company is the biggest wholesaler in the UK and the Irish Republic, and would also provide Gehe with valuable experience in retailing. AAH shareholders should hold out for a revised offer.

BAA

BAA's efforts to replicate its winning UK formula overseas may yet be rewarded. The listing of its shares on the Australian Stock Exchange and its partnership with two of Australia's largest financial institutions leave it well positioned to win a share of the airport privatisation bonanza due later this year. It is ideal territory for BAA.

The US market, one of BAA's previous targets, has proved a surprisingly difficult place to do business, as airports are tightly controlled by the local authorities which own them. BAA's management contract of Pittsburgh airport has provided limited scope both for making profits and displaying the full range of its skills. This could change. With US cities increasingly strapped for cash, they may decide that airports are assets which could usefully be sold.

BAA is right to continue to push for overseas growth, using its existing skills. The company already has 75 per cent market share in the UK, so its prospects for domestic acquisitions are virtually nil. With gearing of less than 30 per cent and interest cover of 5.7 times at the end of last year, the company can afford to look overseas.

The main barrier is that the ownership of airports by foreign companies remains a politically sensitive issue in most countries. But BAA is the only sizeable privatised airport company in the world and, given the success of the British airport privatisation model, its expertise is likely to be sought by foreign partners. A successful performance in Australia could help win business in Asia.

Conglomerates

The buccaneering UK conglomerates of the 1980s are finding it choppier in the more austere 1990s. But a tighter focus, supported by attractive yields, should see them reverse their downward trend. The conglomerates built themselves on an explosion of corporate raids, based on the compelling formula of taking over low valued companies in exchange for highly priced paper. It was a creed based on enhancing earnings per share at whatever cost. But stricter accounting guidelines have removed some leeway in achieving this ambition. And the share premium that facilitated such earnings-enhancing takeovers has been removed, as the sector has underperformed the market by more than 20 per cent since 1990.

Even successful deals fail to inspire. Tomkins' purchase of Ranks Hovis McDougall saw its earnings per share rise but its price-earnings ratio fall. Hanson bucked a trend of poorly-timed deals with its purchase of Quantum; but concerns over a cyclical downturn in chemicals are now driving it to look for something to smooth earnings.

There is a clear answer. With asset inflation subdued, investors want to see managements squeezing costs and building value through focused bolt-on investments. The conglomerates' existing portfolios of businesses should boost ratings as more cyclical stocks' earnings peak. The sector's improving cash flow should also give it a defensive edge. More predictable strategies would allay concerns that share price rises will swiftly be stifled by paper issues to fund the next deal.

FT WEATHER GUIDE

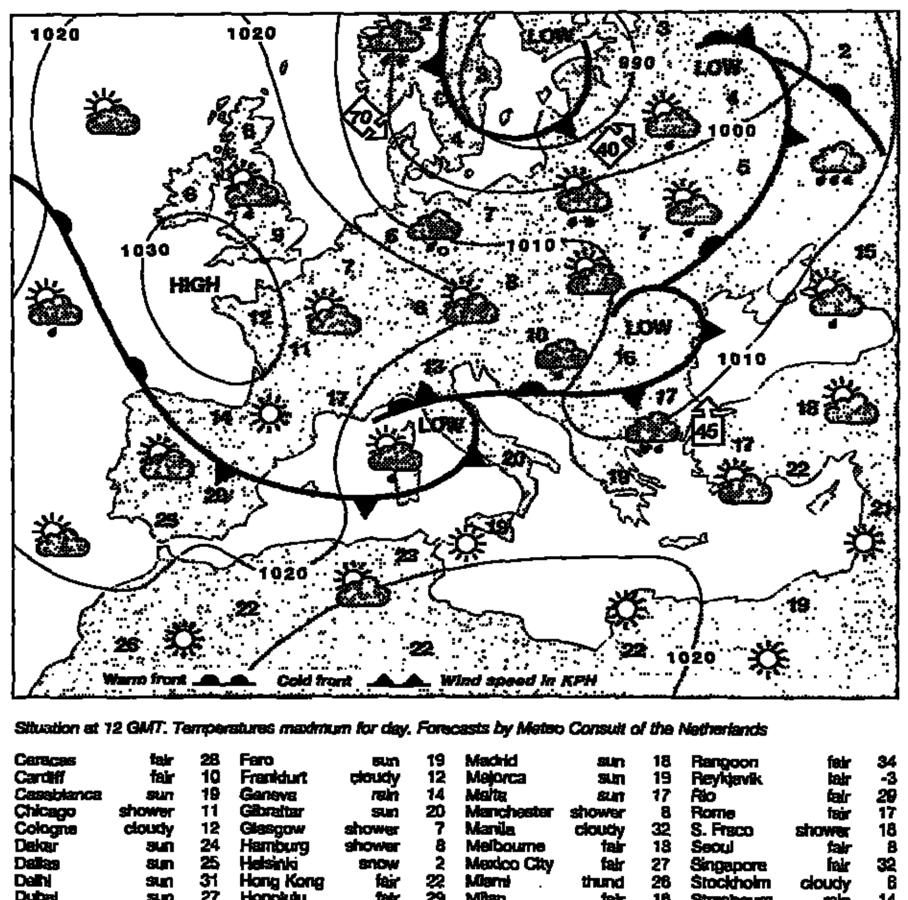
Europe today

Arctic air will circulate over Scandinavia, the North Sea, and north western Europe. Gale force winds will accompany showers, with hail or snow along the Norwegian coast, Denmark, and the German Bight. Further to the east, from Germany to the Baltic States, strong gusty winds will carry wintry showers.

A zone of high pressure arriving from the Atlantic will bring tranquil conditions, with fewer showers over the British Isles. Most of France will have sunshine in the wake of a long cold front stretching from northern Italy towards the Ukraine, but temperatures will remain cool. The Mediterranean will be mainly dry and sunny, temperatures rising to 18C-21C in eastern areas.

Five-day forecast

Calm, springlike conditions will spread over western Europe with steadily rising temperatures. Eastern Europe will become cooler, with night frost and temperatures below 5C in Bulgaria. A storm in southern Scandinavia will weaken on Tuesday as wintry showers shift to the Baltic States. The eastern Mediterranean will become unsettled as from Wednesday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

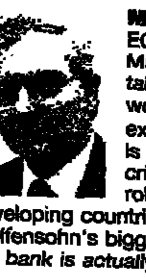
TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	27
Accra	fair	32
Algiers	sun	20
Amsterdam	shower	10
Athens	fair	18
Atlanta	fair	21
B. Aires	fair	28
B.ham	fair	10
Bangkok	fair	35
Barcelona	fair	18
Beijing	fair	11
Belfast	hail	7
Belgrade	sun	18
Berlin	shower	10
Bermuda	fair	22
Bogota	sun	22
Bombay	sun	32
Brussels	cloudy	11
Budapest	cloudy	13
C.hagen	shower	6
Cairo	fair	23
Cape Town	cloudy	24
Caracas	fair	28
Cardiff	fair	10
Casablanca	sun	19
Chicago	shower	11
Cologne	cloudy	12
Dakar	sun	24
Dallas	sun	25
Delhi	sun	31
Dubai	sun	27
Dublin	cloudy	8
Dubrovnik	fair	17
Edinburgh	fair	7
Faro	sun	19
Frankfurt	cloudy	12
Geneva	rain	14
Gibraltar	sun	20
Glasgow	shower	7
Hamburg	shower	8
Helsinki	snow	2
Hong Kong	fair	22
Honolulu	fair	29
Istanbul	sun	13
Jakarta	shower	31
Jersey	fair	10
Karachi	sun	31
Kuwait	sun	26
L. Angeles	fair	21
Las Palmas	sun	22
Lima	fair	28
Lisbon	sun	18
London	fair	12
Lux.bourg	cloudy	10
Lyon	rain	16
Madeira	fair	19
Madrid	sun	18
Majorca	sun	19
Malta	sun	17
Manchester	shower	8
Manila	cloudy	32
Melbourne	fair	18
Mexico City	fair	27
Miami	thund	26
Milan	fair	16
Montreal	fair	1
Moscow	snow	2
Munich	rain	13
Nairobi	fair	29
Naples	sun	17
Nassau	shower	27
New York	fair	8
Nice	sun	16
Nicosia	shower	18
Oslo	cloudy	6
Paris	rain	12
Perth	sun	32
Prague	cloudy	12
Rangoon	fair	34
Reykjavik	fair	-3
Rio	fair	29
Rome	fair	17
S. Frsco	shower	18
Seoul	fair	8
Singapore	fair	32
Stockholm	cloudy	6
Strasbourg	rain	14
Sydney	fair	24
Tangier	sun	19
Tel Aviv	fair	21
Tokyo	fair	14
Toronto	fair	6
Vancouver	rain	13
Venice	fair	12
Vienna	cloudy	13
Warsaw	fair	13
Washington	fair	11
Wellington	fair	18
Winnipeg	cloudy	5
Zurich	rain	11

FINANCIAL TIMES
COMPANIES & MARKETS

Monday March 20 1995

MARKETS
THIS WEEK



MARTIN WOLF:
ECONOMIC EYE
Mr James D Wolfensohn has just taken over as president of the world bank. It will prove an exceptionally difficult role. Not only is the bank under fierce attack from critics on both left and right, but its role in the transfer of resources to developing countries has almost disappeared. Mr Wolfensohn's biggest task may be to explain what the bank is actually for. Page 21

PHILIP COGGAN:
GLOBAL INVESTOR
A flight to safety has dominated financial markets since the Mexican devaluation in December. As the herd stampedes towards the haven of D-Marks and yen, what about the weaklings left behind in the rush? Page 21

BONDS:
The war in Chechnya, the collapse of the rouble and the sell-off in emerging markets triggered by the Mexican crisis have dealt a serious blow to Russian government debt. This is hardly an auspicious time for Russia to be considering a return to the international capital markets. Page 22

EQUITIES:
New York – Now that the Dow Jones Industrial Average has pushed through the psychologically important 4,000 barrier the question already is whether it will now go through 4,100. London – Good news on corporate earnings, and even better news on dividends, caught up with the market at the end of last week. Page 23

EMERGING MARKETS:
The heart-stopping lurches on the Brazilian stock market over the past two weeks, prompted by a devaluation of the Real currency and general unease about Latin America, have left even the most stoic of investors feeling queasy. Page 23

CURRENCIES:
Currency markets look set for another week of tension and volatility. The sharp falls in the lira and sterling last Friday served as a reminder that the story of D-Mark strength has some way to run yet. Page 25

COMMODITIES:
Thursday's Agrimoney '95 conference in London could hardly be better timed. It comes as farmers across the European Union are struggling to come to terms with a series of "green" currency adjustments. Page 21

UK COMPANIES:
NFC, the UK's largest transport and logistics group, is expected to come under pressure from institutional investors this week to clarify when it will appoint a new chief executive. Page 19

INTERNATIONAL COMPANIES:
Italy's biggest companies have rallied round to support Gemina, the Italian investment company which will today launch a L1,526bn ($880m) rights issue into a nervous Italian stock market. Page 20

STATISTICS

Payments crisis halts Bombay SE

By Mark Nicholson in New Delhi

The Bombay Stock Exchange, India's biggest, has taken the highly unusual step of ordering a one-day suspension of trading today, while its governing board examines a possible payments crisis sparked by the default of a local broker.

The closure follows the BSE's declaration at the weekend that Mr R.S Jhaveri, a leading Bombay broker, had defaulted on payment due a week ago of Rs135m ($4m), in settlement of a series of share transactions.

The Indian press yesterday described the failure as the biggest default in the market's history. Brokers and foreign bankers said it pointed up the need to improve regulation and monitoring of the $130bn-capitalised exchange, which is slowly and awkwardly shifting from an opaque, paper-laden, retail market to a more transparent, automated and institutional market.

Members of the BSE board said at the weekend the default could affect up to 80 more brokers in Bombay, where market players have complained of increasing illiquidity in the stock market and the potential vulnerability of smaller brokerages.

However, bankers in Bombay said the sums involved were unlikely to provoke a major crisis. "It's a small problem considering the amounts involved," said one Bombay-based banker. "But it's an eye-opener for the market authorities – it shows how poor their monitoring and regulatory system is."

Mr Jhaveri appears to have taken a heavy position in shares of M S Shoes, a Delhi-based group, at a price of around Rs450-500 a share early in February, on behalf of another broker in Delhi. The latter, according to Indian press reports, was buying for the company's main "promoter" to support the price before a planned Rs428bn fully convertible debentures offer last month.

Mr Jhaveri was then caught out when M S Shoes' share price plunged to around Rs200 after the Security and Exchange Board of India, the market regulator, accused the group of misleading investors in its prospectus and ordered the company to allow the refund of application fees.

The Economic Times yesterday said the affair showed "the negligence of the BSE administration in monitoring brokers' positions and rigging of share prices by the company promoter".

A three-member committee appointed by the Securities and Exchange Board of India, the market regulator, is due to make recommendations today on ways to improve market liquidity.

ABB-Daimler venture poised to exploit the unexpected comeback of the train

Rail industry prepares to be transformed

By Ian Rodger and Andrew Baxter

Mr Percy Barnevik, president and chief executive of electrical engineering group Asea Brown Boveri, is gathering himself once again to launch a transformation of a cossetted traditional industry.

Last Thursday's agreed merger of the railway equipment divisions of ABB and Daimler-Benz, creates a clear leader and removes a large and troublesome competitor in an unruly $60bn world market.

Mr Barnevik sparked a similar process in the power engineering industry in 1988 when he headed the merger of the Swedish Asea with Switzerland's Brown Boveri to form ABB.

The main question that arises in daring operations of this kind is timing. The power engineering and railway equipment sectors are among those, that have traditionally been stifled by national government preferences.

The potential for an efficient, large multinational supplier to beat lazy local ones is great, but only if governments are willing to abandon local preference.

It could be argued that ABB's gambit in power engineering is only now beginning to work. The group's $1.45bn in pre-tax profits last year were the best in its seven-year history, but still short of Mr Barnevik's profitability targets.

In railway equipment, the timing looks to be about right. The industry is looking forward to a new surge of demand, just as hard-pressed governments are seeking economies.

Railways are in the middle of a largely unexpected comeback. In many developed countries and regions, new high-speed railways are increasingly seen as the only environmentally friendly and cost-efficient solutions to overcrowded roads and skies.

In some central and eastern European countries, this is combined with an urgent need to modernise antiquated infrastructure. In large developing countries, such as India and China, the modernisation of railway systems is the best way to speed bulk goods to their markets and spur economic growth.

ABB believes the world railway equipment market will grow at 7 to 8 per cent a year at least until the end of the century.

But the group, already one of the world's three largest producers of railway equipment alongside Siemens of Germany and GEC Alsthom, the Anglo-French joint venture, has long been aware of the fragmented and undisciplined state of the sector.

The "big three" still account for less than a tenth of the business. Dozens of small, specialised suppliers still cling desperately to their local national railways and hope somehow for survival.

This dissipation is a legacy of the period when every self-respecting national railway retained battalions of engineers, who specified everything for their bespoke equipment "down to the last screw," as Mr Barnevik put it on Thursday.

But gradually these railways, many of them privatised, have become interested in suppliers, which can design and deliver anything, from locomotives to signals, on a fixed price basis and to specifications that will be valid in neighbouring countries.

The larger equipment suppliers are responding by moving towards cross-border standardisation. Where it once had six European locomotive types, ABB now has just one.

AEG, the troubled industrial conglomerate acquired by Daimler-Benz in 1986, has been among the more unpredictable international railway equipment suppliers.

Last week, after three months of talks, Mr Barnevik and Mr Edzard Reuter, the about-to-retire Daimler chairman, announced the 50-50 joint venture. Daimler will pay ABB $900m in cash to offset the relatively smaller size and poor performance of the AEG business.

AEG's railway division reported sales of DM1.5bn ($1.1bn) in 1994 and undisclosed losses. In contrast ABB's railway division had sales of $2.9bn last year and operating profits of $140m, up from profits of $84m in 1993 and a loss of $40m in 1992.

The turnround partly reflected the cross-border standardisation, along with increasing specialisation at ABB's production sites and external component sourcing. That helped to offset price pressure on big projects – the "cost per seat" is falling all the time, says Mr Barnevik.

The fit appears a good one, with ABB strongest in heavy locomotives, high speed trains and signalling, AEG in light and urban systems and airport people movers.

ABB has a much greater international presence than AEG which does two thirds of its business in Germany. But Daimler can bring the clout of the German government and its own prestige to politically influenced competitions. It is no accident that the name of the new venture is ABB Daimler-Benz Transportation, or that it will be based in Berlin.

The capacity overlap is greatest in Germany, where the two groups employ 9,200 of their combined 22,000 workforce. Both parent companies were coy about possible job cuts last week, but rationalisation to increase efficiency seems inevitable.

Even before the link-up, the operating margin in ABB's transportation business was only 4.8 per cent last year. That was the lowest of its four main business segments, and a long way short of Mr Barnevik's medium-term target for the group of a 10 per cent operating margin.

Queens Moat close to £1.3bn debt deal

By Peggy Hollinger in London

Queens Moat Houses, the heavily-indebted hotels group, is preparing to inform shareholders that its 74 lenders have agreed to a £1.3bn ($2.1bn) debt restructuring after two years of negotiations.

The banks are expected formally to agree a restructuring today or tomorrow. However, some of those involved are likely to remain nervous about the outcome until the formal acceptance papers are returned this week.

"The situation remains perilous," said one close to the negotiations. "If the banks do not formally acquiesce, the company is insolvent."

The final outstanding lender, Trust Company of the West, is understood to have agreed to a deal in principle last week after reaching a compromise with other creditors. TCW holds about £70m of Queens Moat debt.

Queens Moat said yesterday it was "delighted that the formal papers are with all the lenders. The reconstruction is now definitely on course."

The company is expected to call for an extraordinary general meeting in the next two weeks at which shareholders and bondholders will be asked to approve the restructuring. The restructuring will then have to be approved by a court.

If approved, Queens Moat shares could resume trading by the end of May, after a two year suspension. When they do, several Queens Moat executives will have earned substantial bonus payments. Mr Andrew Coppel, Queens Moat's chief executive, Mr Andrew Le Poidevin, finance director, and Mr Michael Cairns, operations director, are each entitled to a £200,000 payment when the company's shares are relisted and a financial restructuring is in place.

It is understood that the terms of the restructuring presented to shareholders in December have not changed substantially as a result of the recent compromise. The proposals left existing ordinary shareholders with 24 per cent of the company and existing preference holders with 16 per cent. In addition, the restructuring included a £200m debt for equity swap, the waiver of £43m in interest payments and a rescheduling of £1bn in debt.

Queens Moat has been in negotiations with its bankers since April 1993.

This week: Company news

PRUDENTIAL

Pension backwash could still rock the boat

By Alison Smith

Although Mr Mick Newmarch, former chief executive, will be missing from the presentation of Prudential's results tomorrow, the figures for 1994 will reflect his work. Analysts' forecasts for how the Pru performed last year range from £582m pre-tax profits – slightly down on 1993's £589m – to £650m ($1.07m). The Pru remains the UK's largest life insurer, but profits from the UK life and pensions business are expected to be subdued, with the growth coming from other areas.

High increases are expected from the general insurance businesses – UK domestic and motor insurance and Mercantile and General Reinsurance. For the first half of the year, profits in these businesses nearly trebled to £53m.

It is clear from the figures for UK life and pensions sales last year, that volumes of new business are lower than in 1993. Sales of single premium products fell by one fifth last year to £1.95bn, against £2.44bn the previous year, while sales of annual premium policies slipped by 7 per cent to £266m.

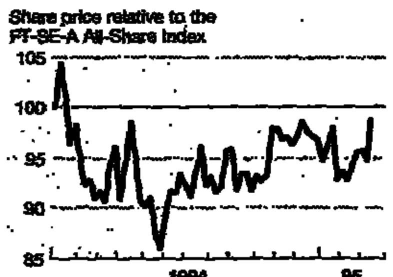
Profits from the UK long-term business will be hit not only by the decline in sales but also by the cost to shareholders of financing new unit-linked business.

Most analysts agree in predicting a 9 per cent rise in dividend per share to 14.4p, though the range runs from 14.2p to 14.5p. A 9 per cent increase would follow the rise in the interim dividend and is also in line with the Pru's approach of aiming to match the market average for dividend growth.

On the more general issues facing any UK life company – such as provisions for possible compensation payments to victims of poor pensions advice, and levels of new business for 1995 now that more information must be disclosed to customers – there may be fewer answers than questions.

Prudential

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

OTHER COMPANIES

Nestlé hopes for currency sweetener

Nestlé, the Swiss foods and mineral waters group, is expected on Friday to report a modest growth in net income for 1994, a year dominated by the problems caused by the strength of the Swiss franc. That struggle has worsened in recent weeks and anxious investors will hang on every word in the group's forecast for 1995. In January, it predicted that sales and profits would rise, provided that currency fluctuations affected operations "to a much lesser extent" than last year.

■ *Lucas Industries: The fortunes of the* automotive and aerospace component systems maker, should today show a revival when it announces its half-yearly figures. Analysts are expecting pre-tax profits of between £45m and £55m ($90m) for the six months to January, as the group obtains the benefits of strong automotive demand, and at least a maintained dividend. Last October Lucas announced a 1993-94 pre-tax loss of £129.7m after clearing its financial decks with provisions of £87.6m.

■ Argos: The UK catalogue retailer is today forecast to cast off the gloom surrounding the high streets and announce a strong increase in pre-tax profits for the year to January 1 from £83m to about £94m ($154m). For the year 1994, sales were up 13 per cent.

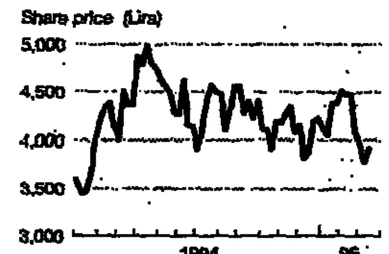
■ Bowater: Despite a forecast of pre-tax profits of about £228m ($374m, against £212m last time, for 1994, the market will want to know whether the printing, packaging and coatings group has managed to continue to pass on raw material price increases in the second half. An upbeat outlook tomorrow will also be welcomed. With the company withdrawing from its peripheral businesses, strong underlying growth is expected. The dividend should rise to 13.7p (12.55p).

■ Guinness: The drinks group is expected to report a modest rise in pre-tax profits on Thursday to about £905m ($1.48bn) for 1994 from a pre-exceptional £875m a year earlier. The full-year dividend could rise by 1p to 13.8p. Like all drinks groups, Guinness has found it hard to raise prices or grow volumes around the world. Some countries such as Venezuela have presented far deeper problems. All the profit growth will have come from brewing, which contributes 25 per cent of trading profit, while United Distillers, contributing the balance, could be flat at best.

■ United Newspapers: Shares of publisher of the Daily and Sunday Express have already started moving up in anticipation of the year-end results on Thursday. It is thought United will come in at the top end of expectations, particularly in the wake of the announcement of Reed Elsevier's strong performance last week. Analysts are now expecting about £140m, ($229.6m) against a pre-exceptional figure of £118m.

Telecom Italia

Share price (Lira)



Source: FT Graphite

■ Telecom Italia: Italy's state-controlled telephone company is set to announce preliminary results for 1994 later today, and details of the planned demerger of its successful cellular telephone division. The results will be the last before the sale, planned for this summer, of the Italian government's majority stake in Stet, the telecoms holding company which owns 62 per cent of Telecom Italia. Formed last year from a merger between five state-controlled companies, Telecom Italia has already forecast a 9 per cent increase in turnover for 1994, against the L26,797bn ($16.6bn) pro forma sales for 1993 and a further cut in net debt. Shares in both Telecom Italia and Stet are already listed in Milan, and a listing should be sought for shares in the cellular phone business following the demerger. The outcome of the operation will be keenly watched by Omnitel Pronto Italia, which is building a rival digital mobile phone network.

Companies in this issue

The oil deals that crippled a German metal-trading giant

Andrew Fisher reports on the struggles at the top of Metallgesellschaft as the company came close to collapse

Around 2,000 people will troop into a concert hall at the edge of Frankfurt on Thursday morning, but they will not be there to listen to music. Instead, they will be attending what promises to be one of the stormiest gatherings in German corporate history – the annual meeting of Metallgesellschaft, which nearly collapsed last year through heavy US oil trading losses.

Ever since, the German industrial and trading company has stayed in the headlines as a result of lawsuits, a raft of auditors' and other reports, and the acrimonious debate over how the losses arose and the oil contracts were liquidated.

The agm could last until midnight. But only one of the two main protagonists will be there: Ronaldo Schmitz, head of the company's non-executive supervisory board. He is a director of Deutsche Bank, which is an 11 per cent shareholder in Metallgesellschaft, its biggest creditor and organiser of the DM3.4bn rescue package in January, 1994.

The man fired over the losses, Heinz Schimmelbusch, 50, the mercurial former chairman, will be absent. He now lives in the US, working for a small Pennsylvania investment bank. The cool, controlled Schmitz, 56, who will preside over the meeting, and Schimmelbusch – both strong, combative personalities with large egos – tell very different versions of the crisis.

The story of how Metallgesellschaft came to be Germany's biggest post-war corporate disaster is the tale of how an ill-considered investment in a small refinery became part of an oil supply, marketing and hedging strategy which nearly obliterated the company. It has implications for corporate governance, financial controls and – especially pertinent after the collapse of Barings, the UK merchant bank – the way derivatives trading is managed.

Metallgesellschaft was founded in 1881 in Frankfurt, as a metals trading company. Over the years, it had expanded into a wide-ranging business still based around mining, smelting and trading, but also heavily involved in other natural resource and environmental activities. Since 1986, it had been run by Heinz Schimmelbusch, who had started as an economics professor, moved on to investment banking, then worked in corporate planning jobs at Metallgesellschaft. In the 1970s, he headed the company's North American activities, which he gathered together into a single operating company, MG Corporation, and it was here the crisis had its roots in 1989.

That was the year when Bill Sudhaus, an oil consultant who had worked with MG Corp in the past, approached Joseph Castle, head of Castle Energy, a small Pennsylvania-based oil company. His idea was to put Castle in touch with MG Corp, in hopes of pulling off a deal which would make everybody money. He had set his sights on a mothballed oil refinery in Illinois, the Indian Refinery, which was 70 years old and badly needed refurbishing. Sudhaus suggested that MG Corp – which had already been involved in oil trading – should finance Castle's purchase of the refinery, to bring it up to scratch and create a profitable business. MG also invested in Castle, ending up with a stake of 40 per cent.

The refinery was restarted in autumn, 1990. But MG had under-estimated the investment needed to turn it round. When oil prices soared in 1991 ahead of the Gulf War, Castle found it could not produce properly. "We were producing poor product at very, very high cost and in a few months had exhausted our resources," Joseph Castle, 61, recalls.

So MG Corp stepped in again. "MG was enormously helpful," Castle says. "We were in desperate shape." But problems continued and the investment mounted to nearly $100m by September, 1990. "The market turned quite favourable and it was quite sad we couldn't produce the product," he says.

Castle kept losing money. The only way for MG Corp to get its money back was to raise its involvement with the company. It entered into what the oil industry calls a processing deal, under which it would sell crude oil to the refinery, then buy back the refined products it produced. "They [MG] were our principal source of funding, our principal shareholder and our principal customer," says Castle. Castle's dealings were mainly with Siegfried Hodapp, then head of MG Corp. Schimmelbusch, whom Joseph Castle met several times, was also aware of the Castle involvement.

MG Corp's ambitions went beyond Castle, however. In 1992, it started to create an elaborate refining, marketing and hedging strategy, exposing the company not merely to the vagaries of the oil market, but bringing in the risks of derivatives trading as well. The inspiration for this came from Arthur Benson, 53, a former MG Corp employee hired back from Louis Dreyfus, the US commodity house, by Hodapp (who was on the Castle board) in November, 1991.

Benson's idea was to sign up to make long-term deliveries of gasoline (petrol), heating oil and other products to wholesale and industrial customers. "He explained how we could use the refinery as a hedge for highly profitable customer programmes," says Hodapp.

The products would be supplied from the Indian Refinery, which was well-placed to meet mid-western demand.

The key to the operation was to be a large-scale hedging operation in the futures market for crude oil. Not only would this protect MG Corp against fluctuations in the price of crude, it would also yield a running profit. The company bought short-term futures contracts matching the entire volume of MG's long-term supply contracts. Each month, as the contracts expired, MG Corp rolled them over to the next month's contracts. Because of the typical relationship between short-term and longer-term oil prices, this would yield a steady profit (see below, left).

Benson had already used this approach at his previous employer, Dreyfus, though there are differing reports of how successful it had been. At all events, MG Corp decided to take the plunge.

In late 1993, the scale of the programme rose rapidly. By December, MG had long term supply contracts – and hence also short-term futures contracts – for 160m barrels of oil – and 40m of these had been addded in September alone. For a brief moment, these looked very attractive: MG Corp was able to book big paper profits. Internal documents suggest that the potential profits from this operation came to over $100m in September alone.

But when the oil price dived at the end of 1993 after Opec producers failed to agree on production cuts, things started to go wrong. Having started the year at $19 a barrel, the price of crude oil went to around $14 in December.

When you buy a futures contract, you only have to put up a portion of the value of the contract, in the form of "margin". But if prices fall, the futures exchange will ask you to put up more margin, because your original payment has been wiped out by the drop in value of the contracts you own. Faced with margin calls on hundreds of millions of dollars of futures contracts, MG Corp – and its parent – came under intolerable financial pressure. They simply did not have the cash to meet the margin calls. "We were threatened daily with becoming illiquid," says one Metallgesellschaft executive. "We had run out of cash."

On December 17 1993, the board fired Schimmelbusch. Since then it has liquidated the oil contracts and sold assets, shed staff and cut costs to survive. Controversy continues to rage around how the oil dealings arose: whether Metallgesellschaft's main management knew enough about them; how far it kept the supervisory board informed; and whether the way the oil contracts were wound up exacerbated the crisis.

The German auditors' report on the debacle cleared Schmitz of blame and said Schimmelbusch had neglected his duty as chairman. Cindy Ma, formerly in charge of MG's US derivatives and hedging activities, argues vehemently that the hedging strategy would have worked if kept in place. The winding up policy overseen by Schmitz was "an extremely costly mistake", she says (see below, right).

All of this will be aired at the agm. Also on the agenda is the approval of a further injection of DM600m from the 50 creditor banks. Shareholders, whose shares are worth a third of the pre-crisis level, will want to know more about the prospects for Metallgesellschaft.

But most attention will be on Schmitz and the absent Schimmelbusch, who expresses bitterness at the way he has been treated and is suing Deutsche Bank, Schmitz and his former employer for defamation. Metallgesellschaft is suing him for neglect of duty.

The relationship between the two men is at the core of the dispute. Schmitz joined the supervisory board in March 1992 and became chairman in March 1993. Initially, the two men were not on bad terms. But Schmitz was not happy with the way Schimmelbusch ran the company, and the relationship soured as he made his views clear.

"I viewed Metallgesellschaft as a trading house with mining and industrial holdings and services attached," says Schimmelbusch. "But this did not mean sitting at a screen – it meant an integrated commodity-related services approach, from raw materials and production to trading, risk management, merchant banking and engineering." Speaking recently in New York, he said: "Schmitz criticised every aspect of Metallgesellschaft."

Schmitz wanted a more focused, less diversified company, with tighter operational and financial controls. He thought Schimmelbusch was too dominant a figure inside the company, and that its activities were spread too widely.

"It was a personal issue but also a fundamental strategic issue," says Schimmelbusch. Once Schmitz began insisting on tighter controls, Schimmelbusch became annoyed – "he would be issuing orders which were not his business."

Schimmelbusch – described by one former colleague as "very innovative and creative, but more of an investment banker than an industrialist" and by another as "brilliant and devoted to Metallgesellschaft" – was particularly upset in early 1993 when Schmitz vetoed an Indonesian copper project Metallgesellschaft was arranging.

"This project was dear to my heart and essential for the future non-ferrous metals strategy," says Schimmelbusch. Its structure, using Metallgesellschaft's varied skills, fitted in with his notion of the company as a network for complex projects. Schmitz, he says, did not like this approach.

Then, in the summer of 1993, Schmitz delayed renewal of Schimmelbusch's five-year contract as chairman of the management board. Schmitz deferred approval for a few months, because he wanted more time to assess Schimmelbusch's performance.

In July, Schmitz visited the US on Deutsche Bank business. While there, he looked in on MG Corp and heard about its US oil activities. There was nothing particularly worrying about the business, but he felt the board should know more about the activities and whether the risks were too big. He commissioned a special report from KPMG, Metallgesellschaft's German auditors. The report was still under way when the crisis broke.

During the autumn, as exposure built up rapidly in the US oil market, Schimmelbusch was effectively on probation. He spent most of his time worrying about Metallgesellschaft's poor performance in Germany. It had reported a DM347m loss (before the oil losses arose) for the year to September 30 1993 stemming mainly from machine tool problems, falling metals prices and recession.

His contract renewal was eventually approved by the supervisory board on November 19 1993. On the eve of the November meeting, Schimmelbusch was asked if there were other matters Schmitz and his fellow non-executives should know about. He said there were none. It is not clear how much he knew about the scale of events in the US.

But Schmitz felt Schimmelbusch, as management board chairman, should have known and should have told him. Schimmelbusch says Schmitz knew about the US oil strategy and should not have been taken by surprise – "everything was approved, it was an absolutely manageable situation".

Nonetheless, Schimmelbusch admits he was concerned at the size of liquidity demands which emerged from MG Corp during the year. By December 3 1993 he was concerned enough about the need for cash to go to Schmitz to explain that the company needed to borrow a lot more money, in a hurry.

The situation became still more dire when the Frankfurter Allgemeine Zeitung reported on Metallgesellschaft's US liquidity problems on December 6 1993. The company had a DM1.5bn credit facility with 46 banks, which Schimmelbusch says he wished he had used instead of going to Deutsche Bank. He says the situation could have been saved by refinancing the oil business with asset-backed securities, calling on the help of Kuwait (a shareholder in the company) and buying put (sell) options which would have set a floor for the hedging deals.

Schmitz felt it was too late for any of these remedies. Instead, Deutsche Bank and Dresdner Bank quickly provided a $900m bridging credit.

Metallgesellschaft liquidated its oil trading programme, at a loss of nearly $1.1bn. A parallel set of contracts to buy oil from Castle on generous terms, to help the refiner's finances and repay MG's loans, also needed to be bought out; that cost another $500m.

On doctor's advice, Schimmelbusch (who developed heart trouble) did not attend the supervisory board meeting of December 17 which dealt with the crisis. His colleague, Meinhard Forster, finance director, did. Both men were sacked.

Forster has gone to ground, but Schimmelbusch is fighting back. "Somebody spends 22 years with a company, including 13 years on the executive board, and is then branded, ferociously defamed and put out of the business without any proof of having done something wrong. For me and my family, it's frightening such a thing can happen in Germany."

Although the crisis was not just an ego clash, the wife of one former MG employee said after meeting Schmitz: "I thought I'd met the biggest ego when I met Schimmelbusch, but now I've met a bigger one. In six months, one will be gone and it will probably be Schimmelbusch."

Ronaldo Schmitz (left) of Deutsche Bank and Heinz Schimmelbusch, the former chairman of Metallgesellschaft: tell very different versions of the crisis

THE DEALS IN DETAIL

Moral: it takes two to contango

The snowstorms came too late for Metallgesellschaft in the bitter US winter of 1993-94 and so did the rise in oil prices. By the time the first flakes fell, the company's trading strategy had succumbed to a falling oil market and rising margin calls and rollover losses on its oil hedging contracts.

MG Corporation's strategy was to sell petrol, diesel and heating oil and other products to customers on fixed price contracts up to 10 years ahead. It protected itself against price movements by hedging the full amount with futures and over-the-counter swap contracts. Over the previous 10 years, spot prices had mostly exceeded near futures prices (a situation known in the commodities markets as "backwardation"). Thus hedging in short-dated futures would produce profits as each expiring contract yielded more than it cost.

The opposite – when near futures prices rise above spot prices – is a contango. This occurred in 1993, upsetting MG's calculations and shocking its banks. Every $1 fall in the oil price meant an extra $160m of margin payments. Rollover losses approached $50m a month.

Those who did the deals, in which the derivatives exposure was reduced monthly by the volume of oil delivered, say later profits on the delivery contracts would have offset the trading losses. Those who wound them up say this was nonsense, since there was no certainty all the long-term supply contracts would be honoured by customers over the years. The supply contracts had been signed with around 300 customers, some of them blue chips such as Chrysler but many of them small wholesalers.

Auditors Wollert-Elmendorff and C&L Treuarbeit, who produced a bulky report on the affair, said the losses were caused by the size of the trading exposure and not by the winding-up.

In her reply, Cindy Ma, who handled MG's derivatives trading, says although the 1993 drop in oil prices resulted in a loss on the hedging portfolio, "there was also a substantial gain on physical delivery contracts". That gain would be realised over an extended period. "The hedges were lifted at the worst possible time, the low of the market, without simultaneously reducing the corresponding physical market commitments." She also says the rollover losses were less than MG stated.

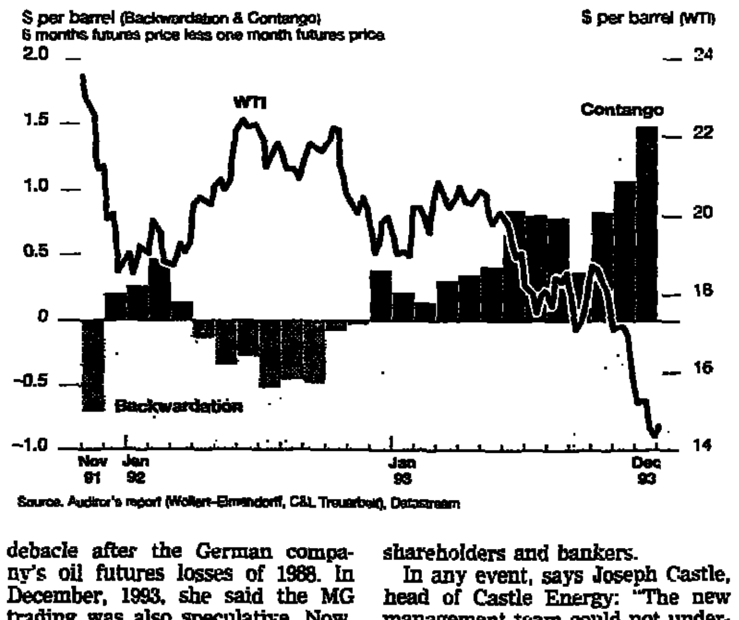
Among the team sorting out the trading losses was Nancy Kropp, who had worked on the Klöckner debacle after the German company's oil futures losses of 1988. In December, 1993, she said the MG trading was also speculative. Now, from her Florence home, she declines to comment, except to say: "There's only one argument".

Undoubtedly, there was a lack of understanding between the old US management and the new team. Opinions differ on whether the losses could have been sorted out more circumspectly. It would have required nerves of steel, however, to continue to stump up money for the loss-making futures contracts in the expectation of making profits in the years ahead. And it would have been hard to justify such an approach to a public company's shareholders and bankers.

In any event, says Joseph Castle, head of Castle Energy: "The new management team could not understand what the old management team was trying to do." He defends the strategy in which his company played an integral part. "It was not a dumb concept. Everybody looks at it now and says 'what a hairbrained idea'."

Longer term hedging contracts would have been available – but at a higher price. It was the funding cost of the short-term hedging strategy which led to the heavy losses. Had winter come earlier, the crisis would have been averted, but there was no guarantee it would not have arisen later.

Crude oil



Source: Auditor's report (Wollert-Elmendorff, C&L Treuarbeit), Datastream

ECONOMIC DEBATE

The risks and rewards of futures hedging strategies

The Metallgesellschaft debate was kicked off by Merton Miller, a Nobel prize-winning professor at the University of Chicago, who criticised the way the hedging strategy was unwound and said it had translated paper losses into real losses.

Metallgesellschaft denies this, as does Deutsche Bank. Of more relevance to the practical business world is what academics think about the wisdom of using derivatives. Top management needs to know what is going on, says Miller. "You don't have to be a rocket scientist to do this. You have to apply in this area the same standards you would in any other area. You have to understand the strategy if not the tactics."

Miller blames the company's new management and Deutsche Bank, its main creditor and a big shareholder, for unwinding the futures leg of the hedge while the fixed price contracts remained. "We remain unconvinced that customer credit risk could justify the draconian relief strategy of liquidating the futures hedge," he says in a paper with Christopher Culp. "Even in the face of price declines in 1993, no customer defaults have been documented."

But John Parsons, a visiting finance professor at Columbia University, says Metallgesellschaft's activities went beyond normal business limits. "The real danger of these [derivative] instruments which can be used for insurance is that they are not used for this but to play the markets."

His paper, written with Antonio Mello, says that while Metallgesellschaft was exposed to long term oil price shifts, its futures traders hedged short term, partly to profit from perceived market mispricings. "When that gamble did not pay off, it undermined the entire company." Parsons believes the combined delivery, refining and hedging strategy of the company – called "synthetic storage" by Miller – was not a proper business.

Taking a middle line is Franklin Edwards, economics professor at Columbia. He does not accuse Metallgesellschaft of outright speculation but says the hedging strategy was riskier than Miller and Culp state. Taking the example of copper and soybean markets over the past 30 years, he says: "If you'd behaved that way [as Metallgesellschaft did in oil] for the first 10 years and assumed the same would happen for the next 10 years, you'd have gotten absolutely murdered".

He makes an important point for other companies. "One lesson that comes out is you cannot give complete autonomy to the people who are doing this, whether you call it hedging or speculating. They are so close that they become enamoured of their own strategy. You have to have some kind of objective double check." This could involve a risk manager, whose career is not associated with the success of any particular strategy.

Edwards, in a paper with Michael Canter, says that because of the relationship between spot and futures prices, the company did not need to hedge all of its long-term delivery commitments. "In choosing a one-to-one hedging strategy, MGRM [the company's US trading arm] consciously made a risk trade-off: in exchange for better protection against rising energy prices, it exposed itself to both greater funding risk and to greater rollover risk."

This was when backwardation (spot above futures prices) moved to contango (the reverse). In 1965-74, soybeans and copper were both in backwardation much of the time. But over the next 10 years, rolling forward futures contracts would have produced losses rather than gains in these markets. Whatever the commodity, events can overturn the most sophisticated of strategies.

COMPANIES AND FINANCE

NFC urged to proceed with top appointment

By Tim Burt

NFC, the UK's largest transport and logistics group, is expected to come under pressure from institutional investors this week to clarify when it will appoint a new chief executive.

The company, which reports first quarter results on Wednesday, has been trying to fill the position for more than six months after the departure of Mr Peter Sherlock, who resigned in August after a boardroom split on strategy.

Although it promised to name a new chief executive before Christmas, the company has failed to decide on a candidate despite a lengthy search by London headhunters Odgers & Co.

"We have had a number of false dawns and I wouldn't be surprised if they go past another quarter without a new chief executive", said one institutional shareholder. Another complained that NFC had "shut up shop" as far as the City was concerned and was giving its shareholders no guidance as to when Mr Sherlock would be replaced.

"There have been no proper briefings since last summer and it's wearing a bit thin when the company says it has no new information."

The delay is thought to have been caused by the decision to opt for an outsider rather than an internal candidate, such as Mr Robbie Burns, managing director of the transport and logistics division, who withdrew his resignation after Mr Sherlock left.

Sir Christopher Bland, who took over as part-time chairman last December, is also understood to have insisted on a thorough review of the group's operations before choosing a successor to Mr Sherlock, one of the first outside executive directors appointed since NFC was privatised by employee buy-out in 1982. Four directors have been with the company for more than 20 years.

One director said Sir Christopher was "very pleased" with the selection process and ruled out a further lengthy delay before a new chief executive was named.

City analysts, however, said this week's figures would prompt fresh demands for a rapid decision, given the expected fall in pre-tax profits and the need to improve morale within NFC.

First quarter profits are forecast to fall 9 per cent from £28.3m to about £25m amid sluggish demand in the European logistics industry and further losses from its German operations. The figures could also be dented by a reduced pension credit, which contributed £8.7m to profits last time.

Germans head list of Jupiter bidders

By Richard Wolffe

Commerzbank of Germany has emerged as the leading bidder in negotiations to acquire Jupiter Tyndall, the fund management group.

The talks are likely to be concluded by the end of the month, and the deal is thought to value Jupiter shares at about 400p. Jupiter's market capitalisation is £154.3m at Friday's closing price of 383p.

If Commerzbank pulls out, other bidders include its German rival, Dresdner Bank, and ABN-Amro of the Netherlands. All three bidders are thought to be keen to expand their fund management activities.

Negotiations were first revealed in December, when Jupiter confirmed that talks were taking place "with a small number of parties". The statement came after its share price rose from 300p in mid-September to 402p.

Jupiter yesterday declined to comment on the state of the negotiations.

Last summer the company sold its banking division to Cater Allen, the money broker, and said it intended to concentrate on expanding its fund management business.

Several bidders are believed to have approached Jupiter after the sale. Under Bank of England rules, ownership of the banking division restricted Jupiter's ability to negotiate with potential buyers.

The company is thought to be seeking a buyer which offers business potential, such as access to a Continental distribution network for its retail financial products.

About 40 per cent of Jupiter's shares are held by the management or individuals associated with them, which rules out the chances of a hostile bid.

Jupiter's assets under management stood at £4.15bn after it acquired Queen Anne's Gate Asset Management in a deal valued at up to £10m in July.

Institutions considering legal moves to recover bond holders' £100m

Investors to act against Barings

By Peggy Hollinger

The Association of British Insurers, which represents most of the UK's largest institutional investors, is considering legal action against directors of Barings to recover some or all of the £100m which its members invested in bonds issued by the bank.

It is understood that holders of the parent company's perpetual subordinated bonds are also considering legal action against the bank's administrators, Ernst & Young.

Mr Richard Regan, head of the ABI's investment committee, said a special group of bond holders had been formed to investigate sources of redress. These could include suing for recovery through professional indemnity insurance taken out on directors, through fidelity bonds – in effect, the bank's basic insurance – or by identifying possible irregularities in payments made by the parent company.

"We are examining how payments were made through the group to see whether there is any right of recovery against any of the parties concerned with those payments."

The bank collapsed after one trader, Mr Nick Leeson, allegedly incurred losses of £860m on the futures and options markets.

The ABI's special committee is talking to the bond holders' trustee, Law Debenture, and Barings' administrators, to determine their rights under the bond's trust deeds and how to pursue them.

Holders of the perpetual bonds are angry at the deal struck between the administrators and Internationale Nederlanden Group, which was last week cleared to acquire Barings' operations. ING has not acquired the parent company, which issued the bonds.

ING has offered to pay bond holders £7.5m for their outstanding stock and a further £20m payment is possible. However, Law Debenture has said it was not clear whether bond holders would have benefited more from a liquidation of Barings than they have from the sale to ING.

Mr Nicholas Ritblat, a private investor who subscribed to the bond issue last year, has also formed a pressure group which is considering legal action. About a quarter to a third of the £100m in bonds is held by private investors.

Upturn in orders at Siebe

By Tim Burt

Siebe, the international controls group, announced a sharp upturn in orders and significantly improved European sales.

The company, one of the UK's largest engineering concerns, said it would be increasing capacity for the first time in five years to meet additional demand from overseas customers, particularly in Latin America, the Middle East and the Pacific Rim.

Mr Allen Yurko, managing director and chief executive, said the improvement had been fuelled by a 35 per cent increase in orders for Siebe Control Systems, which manufactures "intelligent automation products" for industrial plants and buildings.

The optimistic trading statement persuaded most City analysts to revise their profit forecasts, lifting the full year figure by about 5 per cent to £275m.

Of Siebe's operating companies, Foxboro – its US instruments business – has won orders totalling more than £50m, dominated by contracts to automate Germany's largest petro-chemical plant and the Shedgum gas plant in Saudi Arabia.

Sales have also increased in the temperature and appliance controls division, the group's largest, which saw orders rise 14.1 per cent in the first six months of the year.

The diversified products division, where cuts in defence spending contributed to lower interim profits, has similarly enjoyed a turnround in orders, according to Mr Yurko.

He indicated that capital expenditure in all three divisions would rise. It totalled £123m last year – equivalent to 6.6 per cent of turnover.

BAA to list shares in Australia

BAA, the airports group which owns Heathrow and Gatwick, is listing its shares on the Australian Stock Exchange, writes Michael Skapinker.

The group is eager to win stakes in Australia's airports when these are privatised. The Australian government plans to sell the leases on 22 airports currently owned by the Federal Airport Corporation. The first sale is planned for this year.

The largest airports on offer are Sydney, Melbourne, Brisbane and Perth. Foreign ownership in the airports will be limited to 49 per cent, but BAA has formed alliances with two Australian financial institutions, AMP and the New South Wales State Superannuation Fund.

BAA has said that it wants to expand its activities outside the UK. It manages the retail and catering facilities at Pittsburgh airport in the US, and is talking to a consortium of businesses in the Philippines about building an airport terminal in Manila.

Solid progress for Perry

Perry Group, the motor retailer, reported "solid progress" for 1994 with buoyant fleet sales and an "excellent performance" from Ford parts.

From turnover of £362.8m (£311.3m), including £9.58m (£217,000) from new activities, pre-tax profits were £5.07m, against £5.16m after property sale profits of £1.85m. Operating profits rose 25 per cent to £6.79m (£5.41m), including £518,000 (£8,000) from new activities.

New vehicle sales rose 6.8 per cent but the company said its traditional strength in the fleet market enabled it to show an increase in gross profits of more than 23 per cent.

The company is the largest wholesaler of Ford parts in Europe and sales increased by 18 per cent, which combined with operating margins of 4.9 per cent, resulted in the best performance for five years.

Used cars had a successful year with unit sales up by 5 per cent. Together with an "excellent performance" from finance and insurance, gross profits rose 11 per cent.

A higher tax charge left earnings per share at 13.3p (18.2p). A final dividend of 4.75p makes a 7.5p (7p) total.

Lewis appointed Etam chairman

Mr Stanley Lewis, who with Oceana Investment failed in a hostile bid for Etam in 1991, has become the fashion retailer's chairman following the resignation of Sir John Nott, writes David Blackwell.

Mr Lewis, who is in his early 70s, and his son Michael were appointed to Etam's board as non-executive directors in November 1993 after a rapprochement engineered by Sir John.

Oceana is a vehicle for the South African Lewis family. It now holds just over 37 per cent of Etam's shares.

Etam said that Oceana would not be mounting another bid, but would remain a long-term investor.

New Saatchi to form international alliance

By Diane Summers, Marketing Correspondent

Mr Maurice Saatchi's breakaway advertising agency is expected to announce an alliance with an international advertising network which will allow him to pitch for the £60m British Airways account in competition with his former agency, Saatchi & Saatchi.

The industry favourite for the alliance is Publicis, the French advertising group, but several US-based networks have also been linked to the new agency.

Mr Saatchi is also hoping next month to capture Dixons, the electrical retailer, from his old agency. Dixons, which includes the Currys and PC World chains, spends about £40m a year on advertising.

Last week, Mr Charlie Scott, chief executive of Cordiant, the Saatchi & Saatchi holding company, denied that the Dixons' account was under formal review. But it is understood Dixons has drawn up a short-list of four agencies.

A switch by Dixons would come as no surprise. Mr Stanley Kalms, Dixons' chairman, was openly critical of the way Mr Saatchi was ousted from his position as chairman of the Saatchi & Saatchi group.

Ryman sold to NAG

Ryman, the stationery chain once owned by the failed Pentos group, has been sold to NAG Telecom, an independent mobile phone retailer, for between £5m and £6m.

NAG has been a supplier of phones to Ryman and had the support of the chain's franchisees.

Thames Water sale

Thames Water is to sell its Permutit operations in the UK and Australia to United States Filter Corporation for about £6.5m.

The deal, expected to be completed by the end of the month, is subject to due diligence and completion of contractual terms and conditions.

United Breweries postpones results

United Breweries, the debt-burdened pubs operator, has postponed its results, due last Friday, until it can announce details of a financial reconstruction this week, writes Roderick Oram.

Mr Alan Jackson had agreed in principle to reverse his private company, Inn Business, a 70-pub chain, into the company. United will also make a share offer.

UB International, the Indian brewer run by Mr Vijay Mallya, will subscribe to some of the shares, lifting its stake in United to just under 30 per cent.

Mr Jackson will become chief executive of the enlarged United.

Virgin confirms MGM venture

Virgin Group, the airline and leisure concern led by Mr Richard Branson, yesterday confirmed it is part of a consortium that is bidding for MGM, the UK's leading cinema chain, writes Joel Kibazo.

The cinemas are being sold by Credit Lyonnais and Virgin has joined forces with Mr Luke Johnson and Mr Hugh Osmond, both known in the City for flotations such as PizzaExpress and Bath Press.

Virgin said it had been approached with the idea of the bid by the two businessmen.

SG Warburg, which is handling the sale, said there had been expressions of interest from "all over the world."

Burger King faces $10m lawsuit over Polish deal

By Roderick Oram, Consumer Industries Editor

A US franchisee has filed a $10m suit against Burger King claiming that the Grand Metropolitan fast food subsidiary had failed to meet its contractual obligations in Poland.

International Fast Food, based in Miami, said it had bought exclusive rights to open Burger King outlets in Poland from the GrandMet subsidiary in 1991. Under the franchise agreement, Burger King was to provide a network of suppliers of goods to the restaurants, but its failure to do so meant IFF was paying much more for supplies than it had expected.

In addition to a minimum $10m of compensatory damages, IFF is also seeking punitive damages.

Burger King said it would "defend its position vigorously."

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Generali (Italy)	Creditanstalt Bankverein (Austria)	Banking	£574m	Leading consortium
ABB (Sweden/Switz)/ Daimler-Benz (Germany)	ABB Daimler-Benz Transportation	Railway equipment	£563m	Creating world's biggest
Astra (Sweden)	Units of Fisons (UK)	Pharmaceuticals	£202m	R & D disposal
Inspec (UK)	BP Antwerp (UK/Belgium)	Chemicals	£80.4m	BP Chemicals completes sales
FKI (UK)	Amdura (US)	Engineering	£40.3m	Funding by debt
Laporte (UK)	Simson (Netherlands)	Adhesives & sealants	£15.9m	Cash & debt deal
Swissair (Switzerland)	M S McLeod (Australia)	Retailing	£13.8m	Tops Alders bid
Vinten (UK)	Berc (US)	Broadcast equipment	£9m	Equipment rental move
Albert Fisher (UK)	Munoz (Spain)	Food	£7.8m	Speciality stake
Essar (India)	Ilva Laminati Piani (Italy)	Steel	n/a	Agreement on 32% onsale

COMPANIES AND FINANCE

Big Italian groups to back rights issue by Gemina

By Andrew Hill in Milan

Italy's biggest companies have rallied round to support Gemina, the Italian investment company which will today launch a L1,526bn ($880m) rights issue into a nervous Italian stock market.

Gemina confirmed on March 10 that it had lost about L250bn in the 1994 calendar year after discovering a deficit of L430bn at RCS Editori, the 93 per cent owned publishing and media group.

The news leaked out a day earlier, and since then Gemina's shares have fallen nearly 20 per cent. They closed at L930 on Friday, against the rights issue price of L1,000.

The news has shaken the Italian business community. Gemina has also come under attack for not explaining the problems adequately.

Gemina's shareholder register features many members of the so-called *"salotto buono"* – the illustrious inner circle of Italian companies – including Fiat, Mediobanca, the Milan merchant bank, and Generali, the insurer. They will take up their 46.5 per cent share of the rights; Mediobanca and Paribas have guaranteed the success of the rest of the issue.

On Friday, Gemina explained to Consob, the Italian stock exchange watchdog, that L250bn of the losses at RCS came from writing off bad debts run up by subscribers to the publisher's *"grandi opere"*, lavish publications paid for in instalments.

A further L50bn covered the downward revaluation of inventory, and L60bn for the write-off of assets connected with RCS's ill-fated venture into film production through Carolco Pictures.

The group said other RCS operations – including Corriere della Sera, the Milan daily newspaper – were performing well and RCS should return to profit in 1995.

Gemina also sought to justify the rights issue, which will raise an initial L1,327bn, and a further L199bn through the exercise of warrants.

It said L500bn to L600bn will be used to restructure and develop existing holdings, including RCS and GFT, the troubled Turin clothing manufacturer Gemina controls. The rest will pay for new acquisitions to rebalance the group's overall investment portfolio.

Eni sells rest of fertiliser side

By Andrew Hill in Milan

Eni, Italy's state-controlled chemicals and energy group, is planning to sell off the remains of its agro-industrial activities.

The group will invite offers next week for its fertiliser business, which has been looked after by the group's Enichem chemicals arm since the liquidation of Enichem Agricoltura, the agro-industry division, at the end of last year.

In the past four years, Eni has carried out a drastic restructuring of its fertiliser activities, closing 12 factories, reducing production capacity by 3.5m tonnes a year, and cutting 4,000 jobs.

The main plants to be sold are in Ferrara and Ravenna, in the Emilia Romagna region, and employ 430 people, producing 1.5m tonnes of fertiliser a year. Outstanding fertiliser activities account for 70 per cent of the Italian market for urea, 60 per cent of the market for ammonium nitrate, and 40 per cent of the market for complex fertilisers.

Eni, which is expected to publish notices advertising the sale in the national and international press shortly, will invite offers for the whole business, which has annual sales of more than L700bn ($404m).

The group, which is itself preparing for privatisation, is also prepared to split the operations into three parts, one of which would group the operations at Ferrara, Ravenna and Barletta, near Bari in southern Italy.

Canada to raise US$4bn loan

By Martin Brice

Canada is seeking US$4bn from international banks at a price likely to set a benchmark for sovereign borrowers in the loan market.

The price of international loans has tumbled within the past 18 months as banks have competed for assets while companies remain reluctant to borrow.

Canada will pay 4 basis points on the undrawn part of the loan, made up of 2½ basis points facility fee and 1½ basis points commitment fee.

The drawn part of the loan will cost 6½ basis points over the London interbank offered rate (Libor), made up of the facility fee of 2½ basis points and a margin of 4 basis points over Libor.

The five-year loan is to bolster Canada's foreign currency reserves and is likely to be used as a stand-by.

The deal is a renewal of a previous agreement negotiated originally in 1978, and last amended in December 1993. Canada has not activated the loan since 1986.

The loan is to be arranged by Citibank, which plans to use its London, Toronto, Hong Kong, Tokyo and New York offices in the syndication to other international banks.

A banker close to the deal said: "Reactions so far have been overwhelmingly positive. We are getting a much stronger response than we expected.

"The price of the drawn funds is a little tight, but the facility is not expected to be used. Canada has more than $15bn in foreign exchange reserves already."

International banks have given an enthusiastic response to loans for sovereign borrowers, which are "zero-weighted" for capital adequacy purposes, which means they do not need to set aside capital against the loans.

A DM3bn loan for Portugal at 7.75 basis points over Libor was subscribed three times earlier this year. Portugal is rated A1 by Moody's and Canada has a higher credit rating of Aa1, although Moody's has put Canada on watch for a possible downgrade.

Spanish telephone group lifts earnings

By David White in Madrid

Telefónica Internacional, the foreign arm of Spain's semi-privatised Telefónica group, increased net profits by 18 per cent to Pta25.42bn ($199m) in 1994 and expects a further improvement of at least 15 per cent this year.

Its revenues, mainly from stakes in telecommunications operators in Latin America, rose 76 per cent to Pta42.8bn.

Mr Germán Ancochea, chairman, described the 1994 profit as "satisfactory" after a 130 per cent jump in 1993.

Last year Telefónica Internacional, which acts as a holding company for interests outside Spain, invested $1.8bn in two telephone companies in Peru, since merged as Telefónica del Perú, with the Spanish group holding 31.5 per cent.

Mr Ancochea described the purchase, which caused controversy at the time because the price far exceeded rival bids, as "a brilliant operation". This was in spite of a 40 per cent fall in the Peruvian company's net profit in dollar terms to $29.2bn last year, reflecting restructuring costs.

Mr Ancochea dismissed prospects for a flotation of Telefónica Internacional shares in the short term.

The company calculates that stock market upsets in Latin America in the wake of the Mexico crisis have reduced the market value of its assets to $5.12bn from $5.76bn at the end of last year.

Meanwhile, it is pursuing talks with GTE of the US and other potential partners on the sale of a minority stake.

It is currently 76 per cent owned by Telefónica with the remainder held directly by the Spanish state. Telefónica is in turn 32 per cent state-owned.

Canadian National in the black

Canadian National Railways recorded a 1994 profit of C$245m (US$172m), its best performance since 1988. The result compares with losses of C$79m in 1993 and C$1bn in 1992 after restructuring charges, writes Robert Gibbens in Montreal.

The federal government is committed to privatise CN as soon as possible.

Sequent Computer pulls out of bidding for Bull

By Louise Kehoe in San Francisco and John Ridding in Paris

Sequent Computer, one of four companies that had been expected to enter bids to acquire stakes in Groupe Bull, the French computer group, said it had decided not to submit a bid at this time.

Sequent's decision further complicates French government efforts to privatise Bull.

Although French officials remain confident that they will be able to reduce the state's holding in Bull to below 50 per cent by the end of the year, it now appears that the sell-off may have to be carried out in two stages if sufficient bids are not raised during the current round.

Sequent, a US computer manufacturer, said it was one of several companies invited to submit bids for Bull equity and had looked into the possibility.

However, when the deadline for bids arrived last week the company withdrew.

Sequent's withdrawal follows that of AT&T and Quadral, a French group. The companies abandoned their joint bid for a 40 per cent stake in Bull last month after it became clear that the French authorities would not grant AT&T a licence to operate in the French telecom market before 1998.

Three companies are believed to remain on a short list of possible bidders: NEC of Japan, IPC of Singapore, and Motorola of the US.

NEC already holds a 3.7 per cent interest in Bull and is seen as the strongest prospect for further investment.

The French state holds 76 per cent of Bull's shares, with France Telecom, the state-owned telecoms operator, holding 17 per cent.

US group to invest in Matrix

By Nikki Tait in Sydney

Hellman & Friedman, the US investment group, has agreed in principle to invest A$89m (US$65.9m) in Sydney-based Matrix Communications, the listed Australian paging, messaging and telecommunications group.

H&F has already subscribed for A$7m of secured convertible notes, which will convert into ordinary shares in Matrix, at A$1.40 a share in two years. After due diligence the US investment firm has agreed to invest a further A$82m at A$1.60 a share.

Under the agreement H&F will either acquire a 50 per cent interest in the parent Matrix company or a similar sized interest in Matrix Telecoms Asia, the company's Asian subsidiary.

In addition, HCBC Enterprises in Hong Kong has agreed to subscribe for A$3m of secured convertible notes in Matrix.

● Allders, the UK-based duty-free retailer, has withdrawn its offer for M.S. McLeod, the owner of Australia's largest duty-free store chain, leaving the way clear for rival bidder, Swissair, to acquire the group.

Last week, Swissair said it was raising its offer for McLeod from 90 cents a share to A$1.07 a share, trumping the A$1.00 a share bid from Allders. Swissair also has an option to acquire 19.9 per cent of McLeod's shares at the A$1.07 price.

● Goodman Fielder, the Australian food group, is to buy the baking interests of Royal Ahold, the Netherlands-based grocery retailer. Goodman already owns Dutch-based Quality Bakers Europe, and said the acquisition would expand the subsidiary's sales by around 25 per cent.

Taiwanese appliance maker sees sharp rise

By Laura Tyson in Taipei

Tatung, one of Taiwan's biggest manufacturers of electronic appliances, posted sharply higher earnings last year on the back of strong growth at a subsidiary.

Net profits jumped to T$5.6bn (US$215m) on turnover of T$36.2bn, up from T$3.5bn on sales of T$33.1bn in 1993. The 1994 figures are unaudited.

The company attributed the gains to increased demand for cathode ray tubes produced by unlisted Chung Hwa Picture Tube, in which Tatung holds an 88.5 per cent stake.

● Teco Electric and Machinery Co, Taiwan's largest maker of motors and a leading electric appliances producer, recorded higher earnings last year on strong domestic demand.

Net profits rose to T$1.95bn from T$1.56bn in 1993, while turnover climbed to T$17.06bn from T$14.24bn. Earnings per share were T$3.60, against T$2.89 in 1993.

The directors are proposing a cash dividend of T$1.20 a share and a stock dividend of $1.60 a share. A shareholders' meeting is to be held on May 6.

Teco's domestic sales of air conditioners, accounting for more than a third of revenues, are rising by some 20 per cent per year.

Changes to FT-Actuaries World Indices

At its last quarterly meeting, the FT-Actuaries World Index Policy Committee agreed the following constituent changes to the Indices, to take effect on April 3 1995. (L after a stock indicates it will be added to the Large Cap Index. M-S indicates it will be added to the Medium-Small Cap Index.) A full list of Large/Medium-Small Cap Indices constituent changes is available from NatWest Securities Limited or Goldman, Sachs & Co.

Australia. Additions: AAPC (Industry Sector 464 M-S); Advance Bank Australia (112 M-S); Australian Foundation Investment (161 M-S); Bank of Melbourne (112 M-S); Capital Property Trust (161 M-S); Davids (512 M-S); F H Faulding (433 M-S); Foodland Associated (512 M-S); Gandel Retail Trust (161 M-S); GIO Australia Holdings (151 M-S); Gold Mines of Kalgoorlie (641 M-S); John Fairfax Holdings (40 per cent weighting - 473 M-S); National Foods (452 M-S); Orbital Engine Corp. (566 M-S); Pasminco (632 M-S); Plutonic Resources (641 M-S); Poseidon Gold (641 M-S); Publishing & Broadcasting Ord. and Pref. (20 per cent weighting - 474 M-S); Seven Network (20 per cent weighting - 474 M-S); Simsmetal (561 M-S); St George Bank (112 M-S); The Franked Income Fund (151 M-S). Deletions: Clyde Industries (563); Coal & Allied Industries (201); Crusader (213); Energy Resources of Australia (631); FAI Insurances (151); Jennings Group (613); McPherson's (671); National Consolidated (561).

Austria. Additions: Bank Austria Part. Certs. (112 L); Brau Union (421 M-S); BWT (563 M-S); Constantia (611 M-S); Creditanstalt Bank Part. Certs. (112 L); Lenzing (621 M-S); Maculan Holdings Ord. and Pref. (613 M-S); Mayr Melnhof (651 L); Radex Heraklith (611 M-S); Schlumberger (422 M-S); VA Technologie (563 L). Deletion: Jenbacher Werke (566). Change to investable weighting: BBAG (421) 22 per cent (from 100 per cent).

Germany. Addition: SAP Pref. (482 M-S).

Hong Kong. Deletion: Lane Crawford B (495). The following companies will delist from Hong Kong on March 31: Dairy Farm; Mandarin Oriental; Hong Kong Land. As announced after the December 1994 Committee meeting, these companies will remain in the FT-AWI Hong Kong Index and will be priced from dealings in the shares in Singapore.

Japan. Sector change: Autobacs Seven to 571 from 495.

Norway. Additions: Awilco A & B (303 M-S); Christiania Bank (50 per cent weighting - 112 L); Den norske Bank (50 per cent weighting - 112 L); Petroleum Geo (406 M-S); Smedvig (303 M-S); Storli A & B (303 M-S); Transocean (213 M-S); Uni Storebrand Ord. and Pref. (151 L). Deletion: Vard (303). Changes to investable weightings: Bergesen A; Dyno Industria; Wilhelmsen A (all to 100 per cent from 33 per cent).

The FT-Actuaries World Indices are jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. All enquiries should be made to Symon Bradford, NatWest Securities Limited, on 031-243-4258 or to Barbara Mueller, Goldman, Sachs & Co., on 0101-212-902-6777.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 17, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5485.81	3463.03	2497.68	3678.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gambia	(Dalasi)	15.1232	9.5500	6.8879	10.6973
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oman	(Rial Omani)	0.6089	0.3850	0.2777	0.4313
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / **Philip Coggan**

Living on borrowed time

A flight to safety has dominated financial markets since the Mexican devaluation in December. As the herd stampedes towards the haven of D-Marks and yen, what about the weaklings left behind in the rush?

Countries with high public sector debts have been battered by international investors, both in currency and bond market terms. As the graph shows, bond yields in three European countries have risen sharply versus the return on German government bonds since the start of 1994, with a further kick this year.

In Canada, the widening of the spread versus US Treasuries has been less sharp, but nevertheless, there has been a substantial change since the start of 1994, and a modest upward ratchet this year.

For the global investor, the markets appear to discount a large amount of risk, short of default. But do they represent a buying opportunity?

The prevailing mood seems to be for institutions to avoid such markets altogether. Mr Mark Cliffe, chief international economist at HSBC Markets, says that a substantial proportion of institutional clients are not even prepared to discuss the high yields. "They're not involved and they don't want to get involved," he says.

Standard Life, the Scottish life company, says it has no exposure in any of the high-yield markets, and another prominent fund manager says "We've been under-weight in markets such as Italy, Spain, Sweden and Canada, for 9 to 12 months. We won't return until we see some really very difficult political decisions to reduce the deficits."

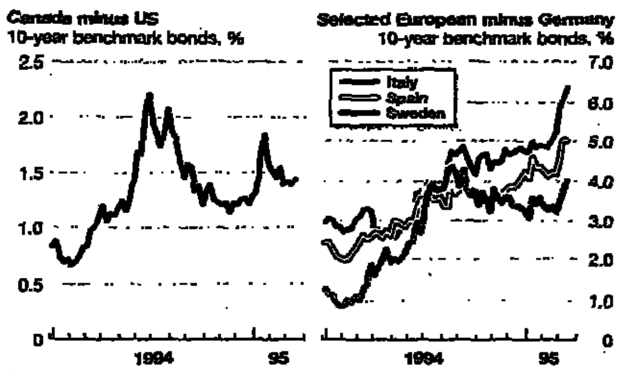
Such negative opinions about an asset class often herald a buying opportunity. But the market remains highly negative, as witnessed by the lira's plunge to new lows and the sharp falls in Italian bonds, even after Thursday's passage of the mini-budget.

It is hard to make out a bullish case for Italian debt, even with real yields hovering around 9 per cent. On OECD estimates for 1996, Italy will have the second worst debt problem (behind Belgium) of member countries, with estimated gross financial liabilities set to be 126.1 per cent of GDP.

The debt problem has long since reached the vicious spiral stage. The Italian government actually has a primary surplus; if interest payments are excluded, its revenue is higher than its expenditure.

International investors, who are highly dubious that Italy can find a government willing to take action to reduce the debt, have sold the lira. The Italian currency's sharp decline, from about 1,050 to the D-Mark at the start of the year to a low of L1,275 on Friday, has compounded the losses for foreign investors in Italian bonds. But if the central bank increases interest rates to support the lira, that makes its deficit problem even worse; a 1 percentage point rise in rates would, on some estimates, push the 1995 deficit up to 11.5 per cent of GDP.

Yield differentials



Source: Datastream

As one fund manager says wryly: "I'd rather buy the Italian bond market when it yields 7 per cent than 13 per cent, because at such high yields the problem compounds itself."

The problem is made worse by the average life of the debt, meaning that Italy is constantly at the mercy of the markets when it has to refinance maturing bonds. According to Mr Tim Congdon of Lombard Street Research, Italy's total borrowing requirement this month is 85 per cent of monthly GDP.

"When you get to that level of dependence on the markets," says Mr Congdon, "there is a strong chance that at some point you will have to force the banking sector to take up the debt." Such a move would imply a higher rate of monetary growth, and Mr Congdon thinks, therefore, that the most likely outcome for Italy is hyper-inflation.

Inflation has already started to move ahead, accelerating to 4.3 per cent in February from 3.8 per cent in January. The weakness in the lira will only add to the problem.

Thus bondholders face the torture of creeping decline, in the form of inflation for domestic investors and devaluation for international investors. Fortunately, Italy's high domestic savings rate means that so far it has been able to finance its deficit largely at home; foreign currency debt is only about 4 per cent of the total. The crunch may come if Italian investors opt for capital flight in the face of the plunging lira, as Latin American investors did in the 1980s.

Mr Congdon says the question is whether Germany would then agree to help shore up Italy's finances. If it does, will confidence in Germany be contaminated by Italy, as the US has been affected by its Mexican bail-out?

The other three countries have some of the same problems as Mexico, but not in the same nasty combination. The OECD's estimate of Sweden's debt-to-GDP ratio for 1996 is almost as high, at 110 per cent, and the 1994 annual deficit was around 11.5 per cent of GDP.

Sweden made tentative steps to tackle the deficit in its recent Budget, but critics argued it did not do enough to tackle welfare spending. Nevertheless, a political solution seems more likely in Sweden than it does in Italy, with its unstable coalitions.

However, the depreciation of the krona has created inflationary pressures. It also adds to the financing burden, since the value of Sweden's foreign currency debt relative to GDP has grown sharply in recent years.

Spain's debt relative to GDP, set to be 69.4 per cent in 1996 on OECD estimates, is lower than the other three, although the level is rising. Some analysts feel it has been unfairly lumped in with Italy, as what traders mischievously dub a "Club Med" country.

But the recent peseta devaluation has only reinforced investor prejudice that the government is too prepared to take the easy option. After four devaluations since 1992, it is hard to see international investors being enticed back into the Spanish market in the short term.

It is much easier to make a strong case for Canadian bonds. Inflation has been low, the recent Budget was welcomed by the market (although the largest deficit cuts are set for later years) and it seems likely that fears of a Quebec secession will be set at rest by the forthcoming referendum.

Canada has suffered from the Mexican effect, especially as US investors had been particularly active in the market. Its current account deficit and dependence on foreign investors will weigh against it in the current climate: but when the dust settles from the Mexican crisis, it might be the first of the four to benefit from an end to the flight to safety.

Total return in local currency to 16/3/95

% change over period	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.12	0.04	0.09	0.16	0.20	0.11
Month	0.51	0.19	0.42	0.46	0.70	0.55
Year	4.50	2.38	5.44	5.88	8.19	5.25
Bonds 3-5 year						
Week	0.82	0.71	0.71	0.69	-0.17	1.12
Month	2.52	2.42	1.66	0.18	-2.35	1.80
Year	3.35	5.27	3.69	0.95	-0.06	3.00
Bonds 7-10 year						
Week	1.46	1.04	1.89	1.95	0.54	2.06
Month	3.44	3.75	2.62	0.88	-4.86	2.53
Year	3.04	6.31	1.27	-3.50	-9.27	0.96
Equities						
Week	2.5	-2.8	-0.5	2.9	-0.4	3.5
Month	2.2	-5.6	-5.6	-2.3	-7.5	1.5
Year	9.1	-20.4	-8.7	-16.8	-7.4	-2.1

Source: Cash & Bonds - Lehman Brothers. Equities - NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Economic Eye / **Martin Wolf**

Wolfensohn's World Bank?

Mr James D Wolfensohn campaigned hard for the job of president of the World Bank. It will prove an exceptionally difficult one. Not only is the bank under fierce attack from critics on both left and right, but its role in the transfer of resources to developing countries has almost disappeared. Mr Wolfensohn's biggest task may be to explain what the bank is actually for.

His predecessor, Mr Lewis (Lew) Preston, has done a great deal to improve the bank's management. He has also increased the bank's capacity to deal with three pivotal areas: the environment, human resources and promotion of the private sector. The emphasis on the environment and human resources is a neat response to the critics of market-oriented development; the emphasis on the private sector is for those who want a still more market-oriented pattern of development.

Many non-governmental organisations (NGOs) complain that the bank rapes the environment, punishes the poor and acts as what two particularly fierce opponents call "the visible hand of the programme of unrestrained, free market capitalism".* Readers of the FT will have seen an expression of that hostility in an advertisement from Christian Aid published on March 6 1995, which asserts that World Bank assistance has increased infant mortality in Zimbabwe, unemployment in Zambia and food prices in Sri Lanka. A mistake often made with such criticisms is to compare an admittedly difficult present with an unsustainable past.

Unhappily for the bank, while such groups do hate its development paradigm, they are among the few organisations in industrial countries that care about development. The bank needs their political support, but receives attacks instead. Meanwhile, many who favour the bank's approach to development ask why there should be such an institution in the first place. Does the world need a big inter-governmental bureaucracy to secure market-led development? It seems a good question.

The bank's answer to the demand for more support for the private sector has been a new vice-presidency.

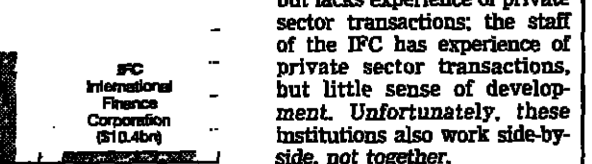
In its efforts to deal with these mutually incompatible criticisms, the bank looks like an acrobat doing the splits. It will fail to satisfy either group. What Mr Wolfensohn must do is define a middle path that makes sense against the history of the bank and the changing realities of the world economy.

In doing so, he must first answer a question that has been hanging around since the days of Mr Robert McNamara, president between 1968 and 1981. Is it essential for the bank to transfer large quantities of resources to its clients? If so, it is failing. The bank's commercial lending arm – the International Bank for Reconstruction and Development – made net disbursements of minus $700m in 1993-94 (see chart). Its soft-lending arm – the International Development Association – did transfer $5.1bn. But aggregate net resource flows to developing countries in 1994 were $227.4bn, three quarters of these being private.

The second big question Mr Wolfensohn must answer is what the bank should do for the private sector. Historically, the bank has regarded its role as being to create the overall environment within which private activity can flourish. But this is a decreasingly feasible approach because of the growing role of the private sector in infrastructure virtually throughout the developing world. Lending for power, for example, will increasingly necessitate lending to the private sector.

A sensible view of what the bank group can and cannot do for the private sector is offered by two insiders, one of them, Mr Richard Richardson, a former director of the development department of the International Finance Corporation, the group's arm for financing the private sector.**

Public sector whale and private sector minnow



Source: World Bank, IFC

Net disbursements, $bn

	1987	88	89	90	91	92	93	94
IBRD*	5.7	3.4	1.9	5.7	2.1	1.6	2.3	-0.7
IDA*	2.9	3.2	3.4	3.7	4.3	4.4	4.5	5.1

Source: World Bank *July to June

Their pamphlet stresses, in particular, the public sector orientation of the bank group. At the end of its most recent financial year, the arms of the group that lend to governments had outstanding assets of $242bn; those of the IFC were a mere $10.4bn.

The problem is deeper than that, argues the pamphlet: the staff of the bank does have a coherent view of development, but lacks experience of private sector transactions; the staff of the IFC has experience of private sector transactions, but little sense of development. Unfortunately, these institutions also work side-by-side, not together.

The authors make a number of suggestions: greater use of the bank's power to guarantee loans; more indirect lending by the IFC through local financial intermediaries; and, above all, greater integration of the IFC with the rest of the bank group. To help achieve this, the pamphlet suggests, capital might be transferred from the bank to the IFC.

The third big question facing Mr Wolfensohn is how to make the bank effective in social and environmental lending. The case for such activities is not that they will satisfy the more critical NGOs. It is rather that a public institution must do what the market will not do. Direct involvement with the private sector in developing countries will remain a modest part of the group's activities. If the bank is to remain anything like as large as today, it must make an essential social contribution. Whether it can actually do so is probably the biggest doubt about the bank. It must also be the biggest doubt about a man from Wall Street.

*Susan George and Fabrizio Sabelli, Faith and Credit: the World Bank's Secular Empire (London: Penguin books, 1994); **Richard W Richardson and Jonas H Haralz, Moving to the Market: the World Bank in Transition, Policy Essay No.17 (Washington: Overseas Development Council, 1995).

COMMODITIES

Agrimoney conference timely

Thursday's Agrimoney '95 conference in London could hardly be better timed. The annual event, organised by Agra-Europe, the Brussels-based farm intelligence service, comes as farmers and merchants across the European Union are struggling to come to terms with a series of "green" currency adjustments necessitated by the recent turmoil on the world's foreign exchanges.

"Green" currencies are the artifical rates at which farm supports and price guarantees under the EU's common agricultural policy are translated from European currency units into national currencies.

In the past these have often got way out of line with the real currency rates – which was good for growers and bad for buyers if the green currency was undervalued, and vice versa if it was overvalued.

Recent reforms, however, mean that green rates must follow movements in real rates much more closely and more quickly.

Before these reforms revaluations or devaluations of green currencies had to be requested by the governments concerned and approved by the council of agriculture ministers.

Economic and/or political considerations sometimes meant that such requests were delayed for a long time and wide divergence of values made necessary the use of "monetary compensatory amounts" to eliminate the trade distortions that would otherwise have been caused by inflated or supressed intervention prices.

● Other events this week include the release in Canberra today of the Australian Bureau of Agricultural and Resource Economics' quarterly commodities report. Tomorrow in Sao Paulo the Brazilian Association of Citrus Exporters will publish its first projection of the state's 1995-96 orange crop; and in Kualar Lumpur forecaster Ivan Wong releases his Malaysian palm oil crop report. On Thursday the London-based International Wheat Council publishes its latest statistical report.

FT-ACTUARIES WORLD INDICES

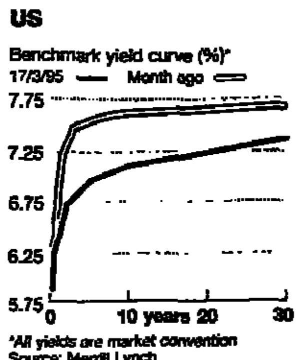
Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 17 1995 US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	THURSDAY MARCH 16 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	163.45	-4.8	152.99	92.24	117.82	148.01	0.6	4.02	164.87	153.55	93.35	118.99	146.95	180.82	157.95	174.69
Austria (18)	192.28	5.2	179.96	108.50	138.60	138.56	-5.9	1.17	191.97	178.79	108.70	138.55	138.51	198.89	167.46	192.92
Belgium (35)	180.87	7.4	169.29	102.07	130.37	127.87	-3.3	4.33	179.69	167.35	101.74	129.68	127.18	180.87	161.53	171.89
Brazil (28)	112.04	-31.3	104.86	63.23	80.76	184.68	-27.4	1.47	116.49	108.50	65.96	84.07	192.23	-	-	-
Canada (103)	129.95	0.4	121.63	73.34	93.67	133.39	1.5	2.62	130.12	121.19	73.68	93.91	133.29	141.01	120.54	137.60
Denmark (33)	262.79	4.4	245.96	148.30	189.43	199.80	-4.1	1.56	262.37	244.36	148.56	189.36	199.73	275.27	236.61	270.07
Finland (24)	187.06	0.6	175.08	105.56	134.84	170.61	-7.8	1.46	185.46	172.73	105.01	133.85	168.59	201.41	133.88	150.16
France (101)	169.22	3.5	158.39	95.50	121.98	131.53	-3.9	3.26	168.88	157.10	95.51	121.74	131.12	181.44	157.79	181.44
Germany (58)	151.24	8.8	141.55	85.35	109.02	109.02	-4.5	2.02	150.39	140.07	85.15	108.54	108.54	154.61	132.08	138.38
Hong Kong (56)	345.64	6.0	323.51	195.05	249.15	343.07	5.9	3.85	339.15	315.87	192.03	244.77	336.64	416.42	277.40	388.55
Ireland (16)	206.24	0.0	193.03	116.38	148.66	183.77	-2.3	3.60	207.12	192.91	117.28	149.48	183.77	217.10	177.56	192.54
Italy (58)	65.45	-12.7	61.26	36.93	47.18	84.73	-6.7	1.84	69.85	65.06	39.55	50.42	87.77	97.78	65.45	78.30
Japan (484)	145.17	-7.5	135.87	81.92	104.64	81.92	-17.2	0.93	146.01	135.99	82.68	105.38	82.68	170.10	136.96	158.21
Malaysia (97)	477.31	-0.4	446.75	269.36	344.07	469.02	-0.5	1.68	467.91	435.79	264.94	337.70	458.97	594.76	398.16	481.86
Mexico (18)	681.51	-51.9	637.86	384.59	491.25	5491.59	-28.0	1.98	687.93	640.71	389.52	496.48	5468.12	2414.12	647.81	2064.74
Netherland (19)	231.90	6.6	217.05	130.87	167.17	164.64	-4.5	3.72	231.15	215.28	130.88	166.82	164.37	232.41	191.28	204.00
New Zealand (14)	73.71	4.6	68.99	41.60	53.13	60.32	3.2	4.89	74.40	69.29	42.12	53.69	60.66	77.20	62.05	71.70
Norway (23)	210.77	-1.1	197.27	118.94	151.93	178.00	-9.1	2.22	209.39	195.02	118.56	151.12	176.99	216.03	177.53	204.93
Singapore (44)	356.12	-4.5	333.32	200.97	256.71	231.81	-7.5	1.85	352.30	328.12	199.48	254.26	229.07	401.38	294.66	315.29
South Africa (59)	340.12	1.0	318.34	191.94	245.17	267.59	-10.8	2.55	341.18	317.76	193.18	246.23	266.41	342.00	205.55	266.00
Spain (38)	125.90	-4.6	117.83	71.05	90.75	122.75	-6.7	4.54	127.51	118.76	72.20	92.03	123.91	150.21	124.81	148.58
Sweden (48)	237.93	2.0	222.69	134.27	171.51	254.77	-0.8	2.14	240.07	223.59	135.93	173.28	255.26	247.40	196.70	221.48
Switzerland (47)	178.38	8.0	166.96	100.66	128.58	127.51	-4.9	1.92	178.19	165.96	100.89	128.60	127.37	179.86	149.91	164.29
Thailand (46)	134.02	-15.3	125.44	75.63	96.61	128.58	-16.6	3.31	130.15	121.22	73.69	93.93	124.87	-	-	-
United Kingdom (203)	198.11	1.7	185.42	111.80	142.81	185.42	0.4	4.37	199.30	185.62	112.85	143.84	185.62	205.58	181.11	200.12
USA (511)	202.51	7.8	189.54	114.28	145.97	202.51	7.8	2.80	202.54	188.64	114.68	146.17	202.54	202.54	178.95	191.80
Americas (660)	184.88	6.1	173.04	104.33	133.26	155.47	6.6	2.78	185.00	172.30	104.75	133.51	155.65	-	-	-
Europe (719)	173.31	2.6	162.21	97.80	124.93	146.28	-2.6	3.29	174.04	162.09	98.54	125.60	146.42	176.01	160.59	172.08
Nordic (129)	230.31	2.6	215.56	129.97	166.01	205.02	-2.6	1.92	230.95	215.10	130.77	166.88	204.75	235.72	197.70	214.53
Pacific Basin (809)	153.70	-6.5	143.86	86.74	110.79	92.08	-14.7	1.30	154.21	143.63	87.32	111.30	92.58	176.86	145.93	164.99
Euro-Pacific (1528)	161.79	-2.6	151.42	91.29	116.61	112.75	-9.7	2.19	162.38	151.23	91.94	117.19	113.13	175.14	154.73	167.79
North America (814)	196.01	7.6	183.33	111.74	142.73	197.81	7.6	2.79	198.06	184.46	112.14	142.94	197.83	198.06	175.67	188.24
Europe Ex. UK (515)	156.03	3.1	146.04	88.05	112.47	124.28	-4.7	2.69	156.53	145.78	88.63	112.97	124.39	158.19	144.12	153.35
Pacific Ex. Japan (325)	237.11	-0.5	221.93	133.81	170.92	209.67	0.6	3.27	234.77	218.66	132.93	169.44	206.58	273.13	211.18	251.11
World Ex. US (1736)	162.10	-3.1	151.72	91.47	116.84	115.95	-9.8	2.20	162.72	151.55	92.14	117.44	116.33	176.65	155.42	169.11
World Ex. UK (2044)	171.93	0.6	160.92	97.02	123.93	136.98	-4.2	2.22	172.30	160.47	97.56	124.35	137.27	178.59	163.48	173.19
World Ex. Japan (1763)	191.35	4.2	179.09	107.98	137.93	176.61	2.2	3.00	191.58	178.43	108.48	138.27	178.50	192.00	176.34	187.60
The World Index (2247)	174.24	0.7	163.08	98.33	125.59	141.22	-3.8	2.42	174.57	162.88	98.90	128.06	141.52	180.80	165.92	175.56

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local). Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local). Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Constituent changes during the week ending 17/3/95: Addition: Lockheed Martin Corp. (USA) (to be included in Large Cap Index) Deletions: Lockheed Corp. (USA), Martin Marietta (USA) and Wellcome (UK). PLEASE NOTE: (13/3/95) South African index reflects introduction of unified rand. Market closed 17/3/95: Ireland.

WORLD BOND MARKETS: This Week

NEW YORK — Richard Tomkins



Bond prices have been surging in the US credit markets over the past two weeks: between March 7 and last Thursday, the yield on the benchmark 30-year bond tumbled from 7.67 per cent to 7.28 per cent.

On Friday, the yield crept back up to 7.37 per cent as prices eased again, but traders put that down to profit-taking, and many believe the rally is far from over yet.

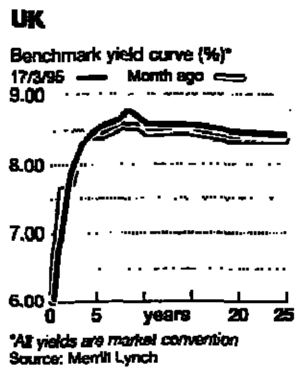
The reason for the upturn is the recent steady stream of data providing evidence that the US economy is slowing.

Since this suggests that the desired "soft landing" may be at hand – and since the Federal Reserve has shown no desire in using interest rates to defend the dollar – economists believe the Fed is unlikely to see a need for a further tightening of the monetary *screw when its policy-making* arm meets on March 28.

On the basis of data currently available, it is beginning to look increasingly unlikely that the Fed will raise *interest rates at its May 23* meeting, either.

The outlook could change abruptly if evidence of overheating should emerge. But with little in the way of significant economic data looming in the week ahead, apart from the durable goods *orders on Friday, many* traders believe there is little apart from profit taking to throw the market off its present course.

LONDON — Graham Bowley



The stiffest test for UK gilts *this week will be provided by* figures for February retail price inflation published on Thursday.

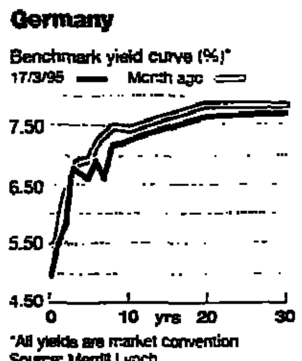
Mr Kevin Adams, gilt strategist at BZW, expects a monthly rise in the headline figure of 0.8 per cent and an annual increase of 3.5 per cent, compared with 3.3 per cent in January. The rise, he says, will be due mainly to the impact of mortgage rate increases.

"Despite Friday's declines, there was good buying of gilts when yields reached 8¾ per cent last week," said Mr Adams. "*That support may* now turn into something more aggressive and could sustain the gilt future above the 103 level. The test will be the RPI figure."

However, Mr Ian Shepherdson, at HSBC Greenwell, reckons gilts are *unlikely to make any* significant gains without further advances in US Treasuries. He thinks the long gilt future on Liffe is unlikely to move outside a 101 to 103 trading range, with the yield spread over German government bonds moving between 135 basis points and 150 points.

After the announcement that the Bank of England's next gilt auction on March 29 will be of conventional stock maturing between 2013 and 2017, traders are anticipating a £2bn sale of 8 per cent gilts of 2015. Full details are expected from the Bank tomorrow.

FRANKFURT — Andrew Fisher



The Bundesbank did what it *does* best last week – keep markets guessing. Even after it decided not to change official interest rates, which was unlikely in spite of speculation to the contrary, president Hans Tietmeyer raised further questions over policy.

With rates unchanged since last summer's decreases, he made the point that Germany's interest rates were among the world's lowest. Thus, expectations have been in the direction of an eventual increase – most economists expect one later this year – based on concern over inflationary pressures.

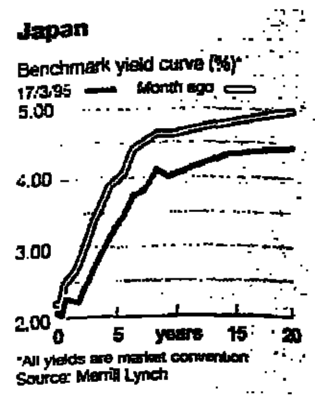
However, said Mr Tietmeyer, echoing previous remarks, "a slight decrease of German central bank rates is not impossible".

This would depend on money supply growth remaining moderate. The D-Mark was also "slightly overvalued against some currencies". But it was up to the market to correct this.

Germany's attraction as a safe haven for international funds is based on its record of monetary stability, but Mr Tietmeyer said the latest annual inflation rate of 2.4 per cent "is not yet good enough".

So investors can take their pick. Rates can stay put, go up or fall slightly before rising again. For the moment, though, markets will be looking to this week's M3 and price data to see what the Bundesbank may be planning.

TOKYO — Emiko Terazono



The chronic weakness of the Tokyo stock market and the yen's appreciation *has led* investors to brush aside expectations of the usual year-end profit-taking.

Some banks and *other* institutions have been taking profits to boost their annual earnings ahead of the fiscal year end.

However, dealers and large investors have been buying bonds because of heightened *expectations* of monetary easing due to the yen's rise against the dollar above the Y90 level.

The three-month certificate of deposit rate, the benchmark for short-term money market rates, last week fell below the overnight call rate, controlled *by the Bank of Japan*, while the long-term yield closed the week at 3.94 per cent, a nine month low.

A further decline in the Nikkei will damage confidence in an economic and corporate earnings recovery, so strengthening the case for an official discount rate cut.

With Japanese exporters still *waiting to sell the US* currency, the dollar could also see further declines. In order to support their profits, some institutional investors and corporate investors are repatriating their overseas assets, adding to the pressure on the dollar.

But with *the yield on the No* 174 10 year benchmark below 4 per cent, other investors are becoming cautious.

UK government bonds

Traders hope for more transparency

The UK Treasury's annual funding remit to the Bank of England is due to be published by the end of this month and UK gilts traders hope it will *highlight* the *government's* drive to modernise the market.

The main purpose of the remit is to outline to the Bank *the guidelines for funding pol*icy in the new financial year. However, the market is expecting a lot more than that, in view of the Treasury's open determination in recent months to bring UK practices into line with government bond markets overseas.

"*The ideal* would be for the funding remit to give a flavour of the Treasury's fundamental review of the market," says Mr Simon Briscoe at S.G. Warburg. Results of the review, announced last November, are to be published in the summer.

Traders' hopes were raised by news of a meeting last week between senior representatives of the Gilt-Edged Market-Makers Association (Gemma) and Mr Anthony Nelson, the treasury minister who is steering the reform of the gilts market. Analysts say this suggests the *Treasury wants to hear Gemma's* views and not rely solely on advice from the Bank.

So far as the market is concerned, the most pressing issue *for the Treasury* is to change the way the Bank conducts gilts auctions. Under the current format, the market's *attention is invariably* diverted by speculation in the week or two preceding the Bank's announcement of the maturity of the gilts to be auctioned.

At the beginning of last week, the market believed the Bank would plump for a five-year maturity but this had *shifted to 20 years* by Friday when the Bank did indeed announce a maturity range of 2013 to 2017.

This game of cat and mouse often wrong-foots the market-makers and the subsequent scramble to adjust their positions makes the gilts market more *risky* than government bond markets abroad, notably in France and the US.

More importantly, the lack of transparency about auctions unnerves investors, particularly those overseas. However, the introduction of a more pre*cise auction timetable* would eliminate such uncertainty.

"We won't be so lucky to get a full-year calendar but we are confident that the Bank is trying to make things more transparent," says a senior gilts market-maker.

Mr Nigel Richardson, head of *bond research at Yamaichi*, believes that to go from one week's notice to a year is too large a step to take at one go, and would rob the Bank of the ability to adjust to what can be vastly changing circumstances.

His preferred solution would be that the Bank should announce the date and maturity band of the next auction when the results of the previous one are announced.

The declining trend in the UK's public spending borrowing requirement (PSBR) has provided a suitable peg for the Bank to announce any changes about auctions.

In the current financial year, it has held auctions at broadly monthly intervals but there is speculation that it will revert to bi-monthly auctions in the new financial year because a fall in the PSBR should result in a *corresponding* drop in issuance of gilts.

After last week's higher than expected PSBR numbers for February, the Treasury said it was still on track to hit its Budget forecast of a £34.3bn PSBR for the financial year. This is *slightly* ahead of the *market's consensus of £33bn.*

However, in the 1995–96 year, the Treasury expects the PSBR to drop to £21bn. Analysts therefore predict that gross issuance of gilts will drop to £25bn or less compared with around £29bn in 1994–95.

Given that the size of most of the auctions in the current year has been £2bn, and that the Bank is likely to want to continue to raise around 25 per cent of funding through tap issues, monthly auctions would result in over-funding.

Mr Richardson favours a move to bi-monthly auctions which he says would work well in terms of the size of each auction laid down in the last remit, a range of £2bn to £4bn. "Bi-monthly worked well in the past and could do so again," hesays.

However, Mr Briscoe wants the Bank to stick with monthly auctions. "The big problem with bi-monthly auctions is that the market might have to go for six months between issuance of any particular type of stock," he says.

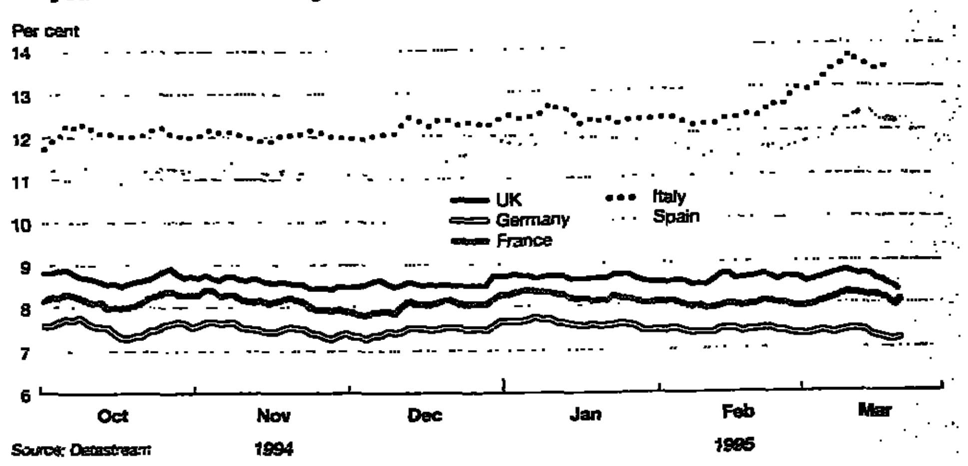
This could result in price distortions and a lack of liquidity *in certain maturities. However,* Mr Richardson says that the Bank could smooth out such anomalies with tap issues.

Mr Briscoe says that if the Bank moves to bi-monthly auctions it should be prepared to issue short, medium and long-dated stock with minimum and maximum amounts on the same auction day. Thus the bank would provide the market with a regular supply of benchmark issues but also retain its flexibility to issue stock where demand is greatest.

The market will be disappointed if the remit fails to provide more transparency. "This current approach to funding must come to an end if the government's policy of being more open is to achieve more credibility," says Mr Briscoe.

Antonia Sharpe

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	1.75	4.50	6.40¹	8.25	6.75²
Overnight	5.88	2.19	4.75	7.88	10.25	5.00
Three month	5.92	2.02	4.90	8.28	11.75	6.56
One year	6.37	2.00	5.37	7.55	12.12	7.62
Five year	6.97	3.29	6.64	7.84	13.63	8.45
Ten year	7.12	3.94	7.17	8.02	13.65	8.50

(1) France-Repo rate (2) UK-Base rate. Source, Reuters.

US TREASURY BOND FUTURES *(CBT) $100,000 32nds of 100%*

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105-01	104-31	-0-11	105-03	104-18	26,860	47,184
Jun	104-23	104-13	-0-12	104-24	103-31	486,469	306,652
Sep	104-11	104-00	-0-08	104-11	103-20	952	13,804

LEGAL NOTICES

No. 001152 of 1995

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF FLEXELLO LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 23rd February 1995 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above named Company from £3,250,000 to £1,750,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on 29th March 1995.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 16th day of March 1995

Wilde Sapte
1 Fleet Place
LONDON EC4M 7WS
(Ref: ALW/CL55667)
Solicitors for the above named Company

No. 00883 of 1995

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF NATIONAL HOME LOANS HOLDINGS PLC -and- IN THE MATTER OF *THE COMPANIES ACT 1985*

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 15th March 1995 confirming the reduction of the Share Premium Account of the Company by £31,590,357.60 and the reduction of its capital from £122,609,142.40 to £12,500,000 and the minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 15th March 1995.

Slaughter & May. (RLH)
35 Basinghall Street,
London EC2V 5DB
Solicitors for the above named Company

Russian debt

Moscow mulls return to euromarket

The war in Chechnya, the collapse of the rouble and the sell-off in emerging markets triggered by the Mexican crisis have dealt a serious blow to *Russian government debt.*

This is hardly an auspicious time for Russia to be considering a return to the international capital markets, and yet there are rumblings within the finance ministry that it may be planning a eurobond this year.

Last week, Mr Oleg Davydov, the minister for foreign economic relations, said the government was planning a eurobond issue but details of what would be the Russian state's first foray into international capital markets since the fall of communism are murky.

Timing and structure have not yet been decided but Mr Davydov said the government is being advised by Merrill Lynch, the US investment bank which has brought other emerging credits to market.

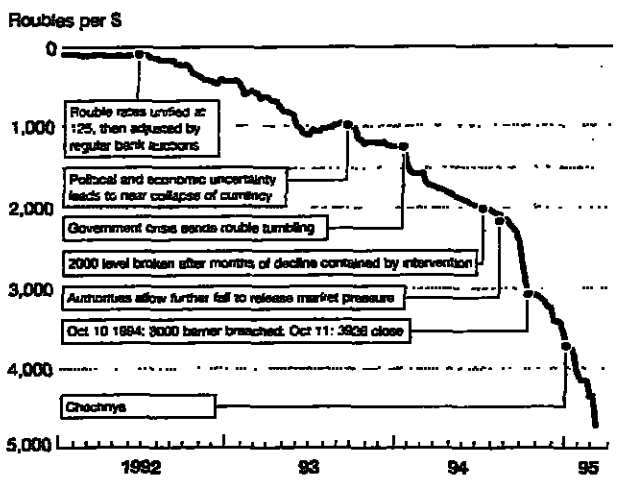
A finance ministry official said the amount would probably be $1bn-$2.5bn and launch in the second half of this year, although no mandate has officially been awarded.

Russia has several eurobonds left over from the old soviet state. Denominated mainly in D-Marks and Austrian schillings, they were issued in the late 1980s by the *state* Vnesheconombank, the former Bank for Foreign Economic Affairs of the USSR.

While Russia defaulted on many debt obligations to Western governments and commercial banks, it has never defaulted on its eurobonds.

It repaid a small Italian lira *issue last year and a DM500m* eurobond earlier this year. A DM500m issue and an Schlbn offering are due in the autumn.

The rouble as a measure of confidence



Source: Datastream

"Even during the darkest days of their economic reform process the Russians never missed a payment on their bonds," said one emerging market specialist at a leading US bank in London.

"They met their payments because the amounts were relatively small but more importantly because they had to keep at least one line of credit open to the West." This record should impress Western investors should the government decide to launch a new bond.

"The euromarkets will be a major source of finance for the Russian government, and access to this market will depend on Russia's payment record, which has been good," said Mr Michael Klebnikov, a Russian specialist at H. Rivkin & Co, a New York broker.

Mr Klebnikov thinks the prospects for the existing stock of Russian government debt in general are set to improve.

Certainly, there has been some good news for Russia in recent weeks. *Progress has* been made on restructuring the country's debt to Western commercial banks and governments, the so-called London Club and Paris Club debt. The $6.4bn standby loan from the IMF is now all but secured and last week, the 1995 budget was passed by the lower house of parliament.

International investors may be encouraged by the upward revision of GDP in the budget, which reduces Russia's budget deficit as a percentage of GDP to 5.6 per cent, down from 7.8 per cent and close to the levels stipulated by the IMF.

But the key consideration for investors, says Mr Klebnikov, "is Russia's ability and willingness to pay its debt obliga*tions,*" which are determined by the country's foreign exchange reserves and by its current account position.

"These are healthy," he says. "Russia is running a trade and current account surplus and its reserves are estimated at $4.5bn, although unofficially *they are closer to $12bn.*"

However, inflation was 220 per cent last year and last month alone prices rose by around 12 per cent, unacceptable for most fixed income investors.

Investor confidence is bound to remain brittle while inflation is running at such a rate and the currency and the domestic political situation are so unpredictable. Launching a eurobond into *such an environ*ment will be a severe test of nerve.

Hungary and the Czech Republic have set precedents for eastern Europe, launching eurobonds that could give an indication of how Russia might fare.

Hungary's bond, trading at a yield premium over US Treasuries of 370 basis points, has suffered badly from the emerging market sell-off, with the premium widening by around 100 basis points in recent months. A higher rated City of Prague bond, on the other *hand, has maintained a pre*mium of around 95 basis points.

"*If eastern Europe were able* to fully decouple itself from Latin America, if Russia doesn't default on its existing eurobonds and, perhaps most importantly, if Russia is pre*pared to pay very high yields,* then there could be some potentially receptive investors for a new Russian eurobond," said a Russian specialist at a London bank. "But this is still a big unknown."

Graham Bowley

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Bayerische Landesbank(b,l)	100	Sep.1998	7.00	100.00R	6.980	-	Swiss Bank Corp.
MBNA MT S.1995-A C.A(d)‡	500¼	Aug.2004	(d1)	100.00R	-	-	Merrill Lynch & Co.
GECC	250	Apr.1997	7.00	100.20R	6.890	+8(6⅞%-97)	Swiss Bank Corp.
Sudwest. LB Capl.Mkts.(l)	200	Apr.1999	7.00	99.97R	7.009	+5½(l)	PaineWebber Intl.
Repackaged Sovereign Invs.‡	100	Dec.1997	(e,s)	99.80	-	-	BZW
Lunch, Series A‡	50	Jun.2001	(f,s)	100.25	-	-	Sumitomo Trust Intl.
Student Loan Mrktng.Assoc.(j)	300	Mar.2000	7.44#	100.00R	7.440	+58(7⅛%-00)	Lehman Brothers
D-MARKS							
DSL Bank(c)	100	Apr.2000	3.50	100.90R	-	-	JP Morgan
Deutsche Finance Netherlands	500	Apr.2000	6.875	101.95	6.407	-	Deutsche Bank
Hypothekenbank‡	300	Mar.1998	(m,s)	100.03	-	-	Commerzbank
SWISS FRANCS							
Misawa Homes Co.(a)◊★	150	Mar.1000	2.375	100.00	-	-	Credit Suisse
Crédit Local de France★	100	May.2000	5.25	102.40	4.700	-	Swiss Bank Corp.
City of Vienna★	200	Apr.2001	5.25	102.50	4.761	-	von Ernst/Merrill Lynch
ITALIAN LIRE							
BNG(i)	150bn	Jan.1997	12.00	101.25	-	-	Swiss Bank Corp.
Deutsche Bank Finance(g)	100bn	Nov.1998	11.00	99.825	11.03	-	Deutsche Bank London
World Bank(k)	150bn	Mar.1998	10.825	97.95	11.47	-	BNL/ Cariplo/ SBC
GUILDERS							
Nederlandse Waterschapsbank	250	Apr.2005	7.50	99.32R	7.600	+18½(7¼-05)	ING Bank
BNG	500	Apr.2000	7.00	100.08R	6.980	+9(9%-00)	ABN Amro Hoare Govt.
LUXEMBOURG FRANCS							
Argentabank Luxembourg	2bn	Apr.2000	7.35	100.00	7.350	-	BCEE
European Investment Bank	2.5bn	Apr.2003	7.75	102.20	7.376	-	BGL
Getfinance Luxembourg	2bn	May.2004	(n)	101.75	7.71	-	BGL
Bacob Overseas(s)	2bn	Feb.2000	7.75	102.20	7.20	-	Bacob Bank Lux.
Aalk-Cger Nco	2bn	Apr.2004	7.625	102.05	7.020	-	Banque UCL
AUSTRALIAN DOLLARS							
State Bank of New Sth.Wales	150	Apr.2000	10.25	101.75	9.791	-	Deutsche Bank London

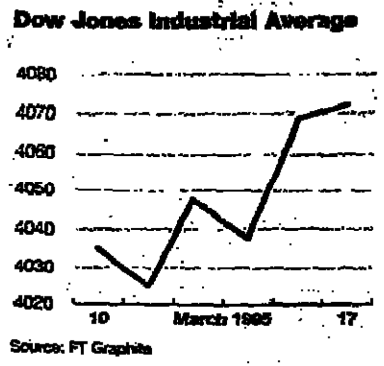
Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Denom: Sfr50,000 +50 wrts. Ex price: Y998. FX: 78.00Y/SFr. Redc: 7/3/97. b) Fungible with $200m. Plus 193 days accrued. c) Denom: DM5,000 +3 wrts. Each wrt entitles holder to sell DM5,000 at 1.410M/$. Exercise period: 5/4/95 - 14/3/98. d) MBNA Master Trust, Series 1995-A, Class A: legal final: 15/1/07, av life: 9.4 yrs. d1) 1-mth Libor +27bp. d2) Class B: $25⅞m, exptd maturity: 15/9/04, 1-mth Libor +45bp, 100R, av life: 9.48 yrs. e) 3-mth Libor +15bp. f) 6-mth Libor +40bp. g) Fungible with L350bn. Plus 150 days accrued. h) 7⅞% to 4/5/01 and 9% thereafter. i) Over interpolated yield. j) Callable on coupon dates from 28/3/97 at par. k) Issue launched 13/3/95 was increased to L500bn. l) Long 1st coupon. n) Long last coupon. m) 6-mth Libor flat. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK
Lisa Bransten

Data unlikely to detract from bullish outlook

Dow Jones Industrial Average



Source: FT Graphite

A month has not yet passed since the Dow Jones Industrial Average pushed through the psychologically important 4,000 barrier and already the question is whether it will now *go through* 4,100.

Last week the Dow rose more than 38 points as investors saw the best in the economic data and bet that the economy would moderate without the Federal Reserve raising interest rates again. Now the Dow is just 26 points shy of 4,100 and there is little economic data due this week to put investors off their bullish views.

The one important set of figures next week does not come until Friday, when the Commerce Department will release data on durable goods orders. Most economists believe the figures should support the opinion that the economy is slowing. The consensus of economists' estimates is that orders will have fallen by 0.5 per cent in February on the heels of January's 1.1 per cent rise.

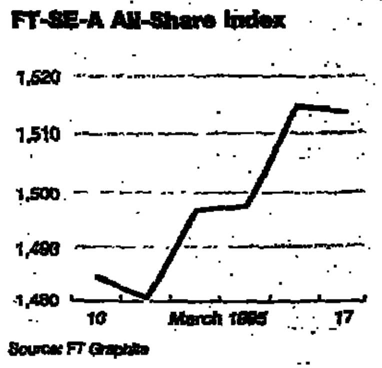
The market could also be moved by trade figures due to be released on Wednesday, especially if those numbers cause the dollar to weaken further. Economists anticipate the trade deficit will have grown, the consensus being that it will be close to $8.5bn in January, compared with $7.3bn in December.

In the past few weeks the declining dollar seems to have had little impact on the stock market but, in lieu of important economic data, a sharply weaker currency could begin to trouble equity investors.

LONDON
Terry Byland

Better results underpin the optimists

FT-SE-A All-Share Index



Source: FT Graphite

The "feel good" factor seems to be working better in the stock market than in the political opinion polls.

Good news on corporate earnings, and even better news on dividends, caught up with the market at the end of last week. The FT-SE 100 Share Index was challenging its 1995 peaks on Friday, even if it did remain almost 5 per cent below the all-time high of last August.

Market strategists are now unremittingly bullish on the profits and dividends outlook. The dividend rises in the December 1994 year-end results now flowing through the stock market have exceeded forecasts.

Mr Richard Jeffries at Charterhouse Tilney has raised estimates of 1994 dividend growth to 12¼ per cent. He rejects criticisms that dividend cover is falling, believing that these fail to distinguish between reported and continuing earnings.

The gilt-equity yield ratio now stands around 1.98 times, a clear buying signal for those stressing the valuation argument in the UK stock market.

Even more significantly, better corporate news is prompting widespread upgrading of earnings estimates by brokerage analysts, a point made by both Strauss Turnbull and by BZW.

Strauss estimates that earnings are still 30 per cent below long-run trends, while BZW notes that in February, average upgrades were twice the downgrades.

OTHER MARKETS

STOCKHOLM

Most of the last of the major Swedish companies to report their 1994 results will release their figures this week, *writes Hugh Carnegy*. However, good performances tomorrow from Incentive, the Wallenberg industrial group, and on Wednesday from SCA, Europe's biggest forestry group, are unlikely on their own to alter a lacklustre stock market response to a season of bumper profits.

Stockholm entered the results season in buoyant mood – up 5.6 per cent by the beginning of February – with analysts confidently predicting a 10 to 15 per cent rise for the year as the country's big international companies, many on low multiples, lined up to report record returns after three difficult recession years.

But the optimism was dashed by the wave of turbulence sparked by the Mexican crisis. Swedish currency, bond and equity markets have all been hard hit due to worries about the country's still sky-high budget deficit and borrowing levels.

Foreign buyers, big net investors in Swedish equities in recent years, have headed for the door. The corporate fundamentals still argue for a stock-market rise.

But worries about the public finances – and the associated high interest rates – have so far prevented it from happening. After a rally in January, the market has slipped back to the levels seen at the end of last year.

ZURICH

With the worse than expected 1994 results from Switzerland's big three banks now out in the open, and priced into their shares, the market will be turning its attention to full-year figures from Nestlé on Friday. The foods group, which sells 98 per cent of its worldwide production outside Switzerland, has already reported that 1994 sales fell by 1.2 per cent in Swiss franc terms, with the strength of the Swiss currency depressing sales growth of 6.8 per cent, as measured in foreign currency terms.

Analysts' forecasts for net profit growth range from 5 per cent to more than 10 per cent with restructuring charges, and extraordinary currency charges as a result of the company's Brazilian operations, being major unknowns.

Last year, the strength of the franc depressed Swiss company earnings by 7 per cent and, said Mr Frederick Hasslauer at Bank Sal Oppenheim in Zurich, the market will be looking to see how far the negative currency effect diluted the impressive operational performance of the first half of the year.

Last week, the market put in an increasingly firm performance, but there was a speculative element to the buying, based on the view that the strength of the Swiss franc would soon drive domestic interest rates lower, and that the currency was unlikely to appreciate further against the D-Mark and dollar.

MILAN

The market returns to the fray today after its dismal performance last Friday when the lira plunged and political uncertainty returned, even after Thursday's confidence vote. A bumpy ride looks in store as Mr Lamberto Dini's government turns its attention to the thorny subject of pension reform.

On the corporate front, Gemina, the investment group partly owned by Fiat, launches its capital call today, the start of the April bourse month, to raise L1,526bn.

TOKYO

The appreciation of the yen has cast gloom over prospects of economic recovery, reducing the case for buying stocks, *writes Emiko Terazono*.

Although exporters have coped with the dollar around Y100 against the yen, analysts expect that an exchange rate of Y90 will drag on corporate profits.

"The negative impact of a stronger yen will be felt more or less immediately but it will take time for the benefits to appear," says Mr David Pike at Barclay de Zoete Wedd in Tokyo.

While long-term interest rates have declined over the past few weeks, the negative impact on the economy of the prolonged strength of the yen could keep the Nikkei below 18,000 over the next year.

Meanwhile, the supply/demand situation is also expected to deteriorate further ahead of the fiscal year-end book-closing at the end of the month.

Many corporate investors have been forced to offset dull earnings by profits from long-term stock holdings.

Nippon Sanso, the oxygen maker which announced special losses due to a failure in its interest rate swap agreements, was seen to have liquidated its holdings in Fuji Bank last week. Similar moves are expected until the end of this month.

HONG KONG

The colony's busy corporate reporting season continues apace this week, with figures from Sino Land today, Hopewell tomorrow, Harbour Centre Development, Hong Kong Kong Ferry, Wharf and TVB on Wednesday, Cheung Kong on Thursday and Sun Hung Kai Property on Friday.

Meanwhile, better than expected results from last week's land auction, and a stronger US bond market, saw the market at the top of its recent trading range of 7,800 –8,400 last week.

The reappearance of the large local developers, SHK Properties and Hang Lung, which acquired two large residential sites in Kowloon, is a particularly positive sign.

UBS says any sustained move above the current level would require evidence of a rebound in asset values, which is by no means certain, but a clear break upwards would be an opportunity to sell into strength.

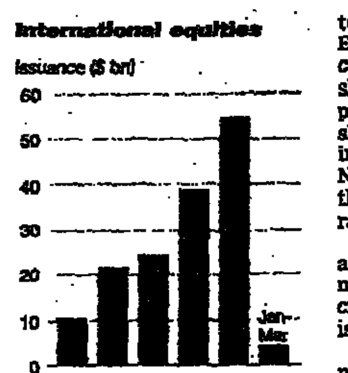
Compiled by Michael Morgan

International offerings

European privatisations make steady progress

European privatisations have continued to progress smoothly, in spite of controversy over the UK sale of the government's stake in two large power generators and political uncertainty overhanging Italian privatisation.

International equities



Source: Euromoney Bondware

The French government last week appointed its advisers on the forthcoming sale of part of its holding in steel company Usinor Sacilor. Paribas has been appointed the government's sale adviser and Merrill Lynch co-adviser to handle the US side of the deal, which is expected to be launched after the two-round presidential elections in April and May.

While the mandate for global co-ordinator and book-runner of the Usinor sale has not yet been awarded, some say the two houses may well take on this role. "In some past French privatisations, the government's advisers have also been appointed global co-ordinators," said one dealer. S.G. Warburg and Crédit Lyonnais have been appointed as advisers to the company.

Another steel privatisation is in process in Austria, where OIAG, the Austrian government's holding company is selling 75 per cent of the wholly government-owned specialty steel maker Böhler-Uddeholm.

The offering is for 8.25m shares, 5.25m of which belong to OIAG and 3m of new shares. The shares will be sold in three equal tranches – in Austria by Creditanstalt, the EU by S.G. Warburg and the rest of the world by CS First Boston.

Syndicate managers reported good investor interest for the issue at last week's European roadshows, albeit in the lower half of the indicated Sch650 to Sch750 price range. "Investors are still very price-sensitive – some clients have told me they like the company very much, but don't want to pay more than Sch700," said one banker.

Bankers watching the Italian privatisation programme heaved a sigh of relief after Thursday's narrow victory of Prime Minister Lamberto Dini's government in a parliamentary vote of confidence.

"This was very good news and means that the privatisation programme is likely to progress swiftly," said one syndicate manager. But another warned that it could take some time to restore investor confidence in the Italian market.

One of last week's most successful private-sector deals was an issue of 11m new shares in ASM Lithography, a Dutch producer of photo-lithography equipment used in the manufacturing of semiconductors.

After raising the indicated price from the initial $14.5 to $16.5 range to $17.5 to $18, lead manager CS First Boston priced the issue at $18 a share. Two days later the price had risen by some 37 per cent to $24.75 a share.

It remains to be seen whether the success of ASML will inspire investors to buy shares in the Silicon Valley Group, another capital goods manufacturer in the semiconductor sector, which plans to sell 5m shares worth some $125m via Morgan Stanley next week. The issue is targeted mainly at US investors, with a 20 per cent international tranche.

Also in the US, General Cable, the UK cable company, has filed with the SEC for an IPO of 90m shares. The offering will be made in American depositary shares in the US and ordinary shares elsewhere. The offering will be made through Lazard Freres, NatWest, Donaldson, Lufkin & Jenrette and Morgan Stanley.

In Sweden, AB Lindex, the clothing retailer, has begun the roadshow for its IPO which is to be priced on Thursday. Existing shareholders of the company are selling some 8.1m shares, representing about 59.1 per cent of the issued ordinary share capital, to be distributed in roughly two equal parts in Nordic region and the rest of the world. The indicated price range is SKr102 to SKr112.

While emerging-market issuance remains subdued, primary activity in Asia, especially in Indonesia and Korea, is picking up markedly.

Bankers from some 15 international investment houses will travel to Jakarta this week to present their plans for the privatisation of PT Telkom, the Indonesian government-owned company responsible for domestic telecommunications. Competition to lead the issue is expected to be fierce, given that the sale, seen totalling $1.5bn, is likely to be one of the largest Asian deals this year.

Meanwhile, Asia Pulp and Paper (APP) and Asia-Pacific Resources International (April), two Indonesian pulp and paper companies, are gearing up for their flotations on the New York Stock Exchange. APP plans to issue 27m American depositary shares – representing 108m ordinary shares – at an indicated $13 to $16 each via Morgan Stanley. April is selling 20m shares at between $11.5 and $13.5 a share via Salomon Brothers.

Korea Mobile Telephone, meanwhile, is set to price its $150m global depositary share issue on Wednesday. Roadshows last week highlighted strong investor demand and the deal is expected to be substantially oversubscribed. One share represents 30 GDSs, which will be priced at an indicated Won20,607 to Won22,000 each, representing a 25 to 30 per cent premium over the underlying share price.

If, as expected, the deal goes well, a slew of other Korean GDR issues could surface in coming weeks. So far, some $500m of GDRs are in the pipeline for issuers including Samsung Electronics, Hyundai Motors and Samsung Heavy Industries.

Conner Middelmann

EMERGING MARKETS: This Week

The Emerging Investor / **Angus Foster in Brazil**

Pacemakers and the 'tequila effect'

No stockbrokers have been seen falling from Brazilian sky-scrapers, but a fair few have been worrying about their pacemakers.

The heart-stopping lurches on the stock market over the past two weeks, prompted by a devaluation of the Real currency and general unease about Latin America, have also left even the most stoic of investors feeling queasy.

The main Bovespa index, which had already fallen 39 per cent since Mexico devalued in December, dropped a further 28 per cent in the four days after Brazil followed suit on March 3.

On the fifth day, buoyed by new measures to support the Real, the market jumped 26 per cent, its second best one-day performance on record.

After recovering further for most of last week, a fresh round of rumour-driven selling struck on Friday afternoon. After falling 5.1 per cent on the day to 29,811, the index finished almost exactly where it was two weeks ago, before the devaluation.

Volatility is not unusual in Brazil, although recent swings have been out of the ordinary. They are partly due to structural weaknesses.

In the 10 years until 1994, a decade of high inflation and economic stagnation, companies almost stopped using the stock market to raise capital. The number of quoted companies actually fell slightly and the market's capitalisation remained stuck at about 25 per cent of GDP, about half the level in Mexico.

Shares in many companies are tightly held, so a small sale or purchase can push a share price sharply up or down.

Also, a handful of Brazilian investment banks and stockbrokers regularly "play" the market, pushing it one way or the other to make daily trading profits.

Mr Stephen Rose, chairman of the eponymous London stockbroker, says short term share movements are often the result of "operators running the price up and down. What has happened recently is that, because foreign investors are out of the market, the speculative players' moves are so much more obvious".

A typical "move" seems to have been behind Friday's fall, which was triggered by rumours of a damaging Sunday magazine article and resignations at the central bank. The article, which was embarrassing but hardly the stuff of resignations, revealed that central bank president, Mr Pérsio Arida, was the house guest of a prominent São Paolo banker 10 days before the devaluation was announced. Stock market players probably used the article, and separate rumours that the devaluation was leaked by the central bank, to unsettle market confidence.

Such factors do not help Brazil's markets gain credibility: nor do they attract foreign investors.

But a bigger worry for investors, and the second reason behind the recent volatility, is the extent to which Brazil is being affected by Mexico and Argentina's financial problems.

Last Tuesday, for example, cheered by Argentina's agreement with the IMF, the Bovespa jumped 9.6 per cent.

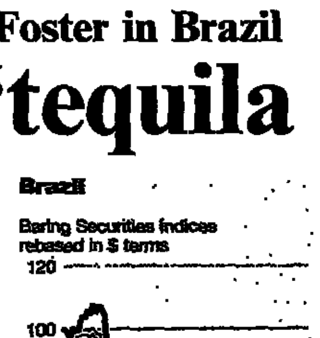
While the agreement appeared to alleviate pressure on Argentina to devalue, it also included tax increases and implied slower economic growth this year. Since Argentina is Brazil's second biggest export market, the agreement in normal times might have led to a fall, not a rally.

According to Mr William Donaldson, chairman of the New York stock exchange, who visited Brazil last week, the parallel swings in Latin markets are partly due to investors not spotting differences between markets, and partly to lingering shock from Mexico's rapid decline.

"The 'tequila' effect does not differentiate between economies. With turmoil in currency markets as well, that uncertainty is still there and you will not see (investors) return until some of it is removed," he said.

Mr Donaldson diplomatically declined to give an estimate of how long the process would take. But one foreign broker, also visiting Brazil last week, suggested investors would be wary for six to nine months, assuming the worst of the crisis is now over.

Brazil



Source: Datastream

Analysts agree Brazil does not have a current account deficit problem such as that which triggered Mexico's crisis. Brazil's current account deficit was less than 1 per cent of GDP last year, against nearly 8 per cent in Mexico.

Neither does Brazil have to worry about the discipline, and possible liquidity squeeze, of Argentina's currency board system. Finally, Brazil has about $34bn in foreign reserves and a private sector capable of generating trade surpluses.

Despite these advantages, a combination of bad luck, bad timing and bad government contributed to the third and most recent reason for the volatility – a bungled devaluation.

The central bank announcement of the devaluation, and a new system of floating bands within which the Real was to trade, was ambiguously worded. Confusion about how often the Real would be devalued led currency markets to test the bank's resolve. After trying to hold the newly announced bands through intervention, the bank gave up. It announced a new, wider trading range and a rise in short-term interest rates to 6 per cent a month.

Although the Real was steady last week, many observers are convinced the central bank was split over the speed of the devaluation, and the ambiguous statement was an attempt to paper over the differences.

Ever since, local papers have reported a deteriorating relationship between bank president Mr Arida and Mr Gustavo Franco, director of international operations. Rumours, like the one on Friday, that one or both would resign once markets quieten down have been denied by several Presidential representatives.

The rumours may, or may not, die down in coming weeks. The impression of greater tranquility in Argentina will also help calm the region's markets.

But the Brazil stock market's structural problems, and deep-seated international unease about Latin America, suggest stockbrokers will be worrying about their hearts for much longer.

News round-up

■ Poland

With a controversial tax on stock exchange transactions due to be reimposed in June Mr Jozef Oleksy, the Polish prime minister, said that Poland's young capital market needed a single, low tax on stock exchange transactions to ensure stable investment conditions.

The finance ministry imposed a 0.2 per cent tax on share deals last year in spite of warnings from market participants that it would harm the bourse; in February, the finance minister suspended the tax until the end of June to counter a long-running bear market, and combat the impact of an official interest rate rise.

■ South East Asia

Fidelity Investments said in Hong Kong that the outlook for South East Asian stock markets was encouraging: "While market sentiment continues to be negative, companies in the region are expected to show impressive earnings growth in 1995," said the investment management group. Fidelity's managers thought that Korea, Taiwan, Indonesia and Singapore offered "excellent" stock-picking opportunities.

■ India

One of several disappointments in India's budget last Wednesday was the failure to grant industry status to housing. On Thursday, the shares in Housing Development Finance Corporation (HDFC) fell Rs125, or 5.7 per cent to Rs2,050.

Meanwhile, the Indian finance minister, Mr Manmohan Singh, said on Friday he wanted to scrap the country's 15 per cent corporate tax surcharge – another budget benefit which many businesses had expected – but that he could not do so without first trimming the fiscal deficit.

■ Derivatives

The Chicago Mercantile Exchange (CME) said that it had formed a special advisory committee on emerging markets to help the exchange develop futures and options covering those areas.

"The astounding growth in recent years of emerging markets, with the concommitant need to manage risk and better allocate assets in those markets, fit perfectly [with CME risk management tools]," said Mr Bill Brodsky, the CME's president and chief executive officer.

■ Thailand

Last Friday, Bangkok's SET index rose by 4 per cent, slightly down on the week, but the debut of Thai Petrochemical Industry was not at all upbeat. After an initial public offer at Bt55, the shares closed at Bt37.25.

The Thai market had been generally bearish recently, hitting a new 1995 low only last Thursday; Thai Petrochemical, a manufacturer of plastic, petrochemicals and cement, was also affected by news that the Thai government will gradually reduce tax on plastic products soon; and there was also, said an analyst, the fact that the company is exposed to loans in foreign currencies.

● *Further coverage of emerging markets appears daily on the World Stock Markets page.*

Baring Securities emerging markets indices

Index	17/3/95	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (301)	127.77	+10.62	+9.07	-4.59	-3.47	-30.26	-19.15
Latin America							
Argentina (20)	69.65	+16.03	+29.89	+2.25	+3.34	-16.46	-19.12
Brazil (21)	147.82	+41.25	+38.71	+4.77	+3.33	-61.55	-29.40
Chile (12)	188.70	+31.07	+19.71	+8.00	+4.42	-22.87	-10.81
Mexico (25)	48.62	-3.29	-6.33	-17.67	-26.66	-49.01	-50.20
Peru(16)	699.33	+141.30	+25.32	+24.54	+3.64	-149.34	-17.60
Latin America (94)	94.35	+15.72	+19.99	-5.52	-5.53	-44.42	-32.01
Europe							
Greece (16)	85.95	-0.72	-0.83	-1.65	-1.88	-1.04	-1.20
Portugal (18)	123.58	+2.81	+2.33	+6.33	+5.40	+7.30	+6.28
Turkey (21)	83.59	-0.03	-0.04	+11.01	+15.17	+7.48	+9.82
Europe (55)	101.96	+0.72	+0.71	+4.75	+4.89	+4.27	+4.37
Asia							
Indonesia (26)	120.64	-2.21	-1.80	-10.71	-8.16	-13.04	-9.76
Korea (23)	140.13	+6.98	+5.24	+20.04	+16.69	+0.25	+0.18
Malaysia (23)	211.75	+4.72	+2.28	-6.56	-3.00	+0.89	+0.42
Pakistan (11)	82.88	-8.66	-9.46	-7.30	-8.10	-23.32	-21.96
Philippines (12)	231.43	+9.02	+4.05	-30.10	-11.51	-50.70	-17.97
Thailand (25)	225.31	-0.77	-0.34	-20.42	-8.31	-26.33	-10.46
Taiwan (32)	171.04	+3.02	+1.80	+1.97	+1.17	-13.11	-7.12
Asia (152)	198.53	+3.40	+1.74	-4.93	-2.42	-12.09	-5.74

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES
Philip Gawith

Another tense week in store

Currency markets look set for another week of tension and volatility. The sharp falls in the lira and sterling last Friday served as a reminder that the story of D-Mark strength has some way to run yet.

If last week was anything to go by, the focus of activity has shifted away from the dollar towards Europe.

Already in recent weeks two countries in the exchange rate mechanism have devalued, while another four have raised rates to defend their currencies.

Although the focus last week was on the two European currencies that left the ERM, the more pressing problem concerns the currency arrangements in the EMS.

A number of analysts believe that the combination of unrealistic deadlines for economic and monetary union, and the political and economic problems of countries like Spain and France, are a recipe for further currency turmoil.

Indeed, there now seems little prospect of a let-up in tensions in Europe this side of the French presidential elections. The first round is on April 23.

While it is still difficult to find a dollar bull in the market, it does at least seem possible that the dollar may be out of the front line for a while as the market focuses its fire on Europe.

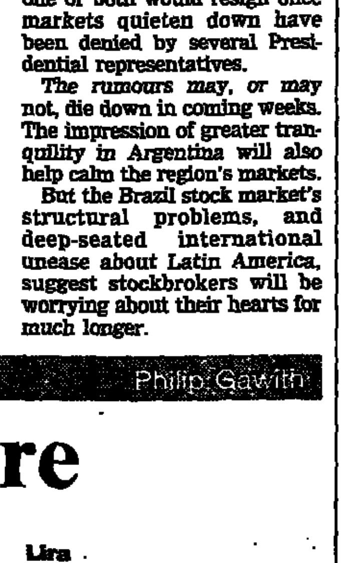
One theory, admittedly sanguine, is that with the D-Mark now looking very overvalued, and the rest of Europe might seek refuge in the dollar.

The one piece of data which could drive the dollar lower is the release on Wednesday of the US trade figures for January. Trade figures are not as important as they once were in currency markets, but the dollar is likely to suffer from any reminder about the size of its current account deficit.

Within Europe, markets will be watching the French election campaign, UK inflation data on Thursday, and any developments in Italy.

More than ever, it is difficult to predict moves, save to say that with the market in its current mood, they are likely to be quick and dramatic. It is not a time for the faint-hearted.

Lira



Source: Datastream

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 17 / Sch)

BELGIUM/LUXEMBOURG (Mar 17 / Frs.)

CZECH REP (Mar 17 / Koruna)

DENMARK (Mar 17 / Kr)

FINLAND (Mar 17 / Mks)

FRANCE (Mar 17 / Frs.)

GERMANY (Mar 17 / Dm.)

GREECE (Mar 17 / Drachmae)

ITALY (Mar 17 / Lire)

NETHERLANDS (Mar 17 / Fls.)

NORWAY (Mar 17 / Kroner)

POLAND (Mar 16 / Zloty)

PORTUGAL (Mar 17 / Escudo)

SPAIN (Mar 17 / Pts.)

SWEDEN (Mar 17 / Kronor)

SWITZERLAND (Mar 17 / Frs.)

TURKEY (Mar 17 / Tk Lira)

PACIFIC

JAPAN (Mar 17 / Yen)

HONG KONG (Mar 17 / HK$)

INDONESIA (Mar 17 / Rupiah)

MALAYSIA (Mar 17 / MYR)

NEW ZEALAND (Mar 17 / NZ $)

SINGAPORE (Mar 17 / S$)

AUSTRALIA (Mar 17 / Aust$)

SOUTH KOREA (Mar 17 / Won)

TAIWAN (Mar 17 / TW $)

THAILAND (Mar 17 / Baht)

AFRICA

SOUTH AFRICA (Mar 17 / Rand)

NORTH AMERICA

CANADA

TORONTO (Mar 17 / Can $) 4 pm close

MONTREAL (Mar 17 / Can $) 4 pm close

INDICES

	Mar 17	Mar 16	Mar 15	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	12493.06	13699.47	12418.41	25470.40	16/2/94	9831.09	9/3/95
Australia							
All Ordinaries(1/1/80)	1921.2	1908.9	1904.3	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	848.1	844.7	845.5	1136.10	3/2/94	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	368.88	368.21	368.40	460.88	2/2/94	361.34	3/3/95
Traded Index(2/1/91)	994.05	989.32	989.25	1222.25	1/2/94	968.30	3/2/95
Belgium							
BEL20 (1/1/91)	1312.69	1305.82	1302.64	1542.65	9/2/94	1271.53	9/3/95
Brazil							
Bovespa (29/12/83)	29811.0	31417.0	29394.0	55110.00	13/9/94	3600.80	3/1/94
Canada							
Metals Minls♦(1975)	3951.72	3951.56	3926.66	4328.07	18/1/95	3299.06	20/4/94
Composite♦ (1975)	4228.00	4225.60	4218.80	4809.90	23/3/94	3959.98	24/6/94
Portfolio§§ (4/1/83)	2093.08	2094.30	2088.95	2182.69	1/2/94	1868.48	28/6/94
Chile							
IPGA Gen (31/12/80)	5205.3	5221.8†	5167.4	5754.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	342.37	342.07	342.19	418.79	2/2/94	335.88	20/12/94
Finland							
HEX General(28/12/90)	1694.2	1671.4	1698.2	1972.00	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	*1185.40*	*1182.15*	*1182.38*	*1508.29*	*2/2/94*	*1184.41*	*13/3/95*
CAC 40(31/12/87)	1788.83	1785.76	1738.60	2355.93	2/2/94	1721.80	13/3/95
Germany							
FAZ Aktien(31/12/58)	744.87	746.41	749.71	859.27	18/5/94	741.39	10/3/95
Commerzbank(1/12/53)	2126.3	2131.0	2137.8	2468.50	2/5/94	2110.70	10/3/95
DAX (30/12/87)‡	2005.24	1992.08	2010.14	2271.11	16/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	787.70	787.15	780.31	1194.68	18/1/94	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	8534.71	8347.75	8365.21	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	(c)	3362.04	3399.19	4628.57	12/9/94	3233.31	22/2/95
Indonesia							
Jakarta Comp.(10/8/82)	426.67	427.20	428.67	612.89	5/1/94	425.22	14/3/95
Ireland							
ISEQ Overall(4/1/88)	(c)	1818.35	1822.32	2082.18	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	593.04	602.89	597.24	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	937.0	952.0	943.0	1318.00	10/5/94	937.80	17/3/95
Japan							
Nikkei 225 (16/5/49)	16251.23	16355.66	16666.83	21552.81	13/6/94	16245.82	14/3/95
Nikkei 300 (1/10/82)	238.51	240.73	244.27	311.71	13/6/94	238.51	17/3/95
Topix (4/1/68)	1291.29	1303.82	1322.48	1712.73	13/6/94	1291.29	17/3/95
2nd Section (4/1/68)	1701.94	1728.06	1748.60	2542.65	6/7/94	1701.94	17/3/95
Malaysia							
KLSE Comp.(4/4/86)	960.43	943.86	937.32	1314.46	5/1/94	840.67	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1589.58	1611.73	2881.17	8/2/94	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	426.0	425.5	427.0	454.90	31/1/94	406.30	21/6/94
CBS All Shr (End 83)	267.2	266.9	267.8	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1965.71	1974.72	1953.35	2439.64	3/2/94	1878.09	13/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1067.80	1062.32	1066.76	1211.18	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2350.91	2297.3	2266.37	3308.37	4/1/94	2266.37	15/3/95
Portugal							
BTA (1977)	2727.2	2716.2	2733.8	3226.60	18/2/94	2612.86	20/6/94
Singapore							
SES All-S'pore(2/4/75)	503.12	500.54	500.63	641.61	4/1/94	472.80	23/1/95
South Africa							
JSE Gold (28/9/78)	1478.8♥	1495.0	1544.7	2534.00	7/9/94	1478.80	17/3/95
JSE Indl. (28/9/78)	6672.1♥	6649.8	6617.4	6984.40	30/12/94	5446.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	952.25	954.16	953.71	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	267.25	269.65	267.65	358.31	31/1/94	265.43	9/3/95
Sweden							
AffarsvarldnGen (1/2/37)	1466.2	1470.0	1479.4	1603.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1189.92	1189.38	1186.37	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	*883.9*	*882.00*	*877.81*	*1082.29*	*31/1/94*	*878.56*	*13/3/95*
Taiwan							
WeightedPr.(30/6/66)**	6594.26	6564.66	6555.19	7191.13	1/11/94	6194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1180.62	1135.68	1152.34	1753.73	4/1/94	1135.69	16/3/95
Turkey							
Istanbul Cmp.(Jan 1986)	33802.3	32095.6	32285.5	33802.30	17/3/95	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)$	636.9*	629.3	627.9	649.80	2/11/94	591.60	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1233.19	1240.54	1239.56	1540.19	31/1/94	1222.41	13/3/95
Euro Top-100 (26/6/90)	1141.98	1138.40	1130.14	1311.81	2/2/94	1117.34	9/3/95
JCapelDrgns (31/12/88)	(u)	296.06	296.10	395.19	5/1/94	281.46	23/1/95
Barings Emerg.(7/1/92)	127.77	125.50	127.27	181.79	26/9/94	117.18	10/3/95

US INDICES

Dow Jones	Mar 17	Mar 16	Mar 15	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	4073.65	4069.15	4038.37	4073.65 (17/3/95)	3593.35 (4/4/94)	4073.65 (17/3/95)	41.22 (2/7/32)
Home Bonds	(u)	97.52	97.38	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1580.78	1580.32	1569.37	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	187.52	188.11	187.85	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4101.86 (4095.78) Low 4044.94 (4021.77) (Theoretical♦)
Day's high 4080.22 (4075.38) Low 4059.47 (4036.72) (Actual♦)

Standard and Poors	Mar 17	Mar 16	Mar 15	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	495.52	495.41	491.88	495.52 (17/3/95)	438.92 (4/4/94)	495.52 (17/3/95)	4.40 (1/6/32)
Industrials♥	589.37	588.63	584.26	589.37 (17/3/95)	510.05 (21/4/94)	589.37 (17/3/95)	3.62 (21/6/32)
Financial	45.84	46.12	45.80	48.94 (14/6/94)	39.87 (22/11/94)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	267.84	267.92	266.15	267.92 (16/3/95)	243.14 (4/4/94)	267.92 (16/3/95)	4.46 (25/4/42)
Amex Mkt Val	456.02	456.47	454.78	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	808.33	809.33	807.38	809.33 (16/3/95)	693.79 (24/6/94)	809.33 (16/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 10	Mar 3	Feb 24	Year ago
Dow Jones Ind. Div. Yield	2.70	2.73	2.69	2.61
	Mar 15	Mar 8	Mar 1	Year ago
S & P Ind. Div. yield	2.33	2.36	2.36	2.44
S & P Ind. P/E ratio	17.60	17.32	17.32	26.62

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	7,731,000	26⅝	+¼
Motorola	5,252,200	55⅝	-1
Merck	5,141,100	43⅞	+⅝
Wal-Mart	4,798,900	24⅝	-⅛
Amer T & T	4,525,700	52¼	-⅛
Gen Electric	4,346,800	54⅛	-⅝
Compaq	3,721,000	32½	-⅛
Gen Motors	3,692,300	41⅝	-¾
EMC Corp	3,243,900	15⅝	-⅛
Pepsico	3,161,700	40	......

■ TRADING ACTIVITY

● Volume (million)

	Mar 17	Mar 16	Mar 15
New York SE	415.794	336.686	304.292
Amex	17.187	17.170	17.844
NASDAQ	(u)	310.372	305.613
NYSE			
Issues Traded	2,950	2,948	2,953
Rises	861	1,390	1,009
Falls	1,312	770	1,117
Unchanged	777	788	827
New Highs	75	106	68
New Lows	32	23	29

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40							
Mar	1792.0	1800.0	+2.0	1809.0	1784.0	26,960	31,213
Apr	1805.0	1810.5	+2.5	1815.5	1798.5	1,698	9,839
■ DAX							
Mar	-	2009.7	-	-	-	-	46,301
Jun	2031.0	1982.0	-34.5	2032.0	1961.5	20,702	86,839
■ OMX							
Mar	1136.00	1130.00	-2.75	1138.00	1124.50	6,123	16,843
Apr	1138.50	1132.50	+1.50	1139.50	1126.00	1,345	7,769
■ SOFFEX							
Mar	2502.8	2501.1	+5.0	2504.5	2493.0	3,271	5,723
Apr	2512.0	2493.0	-7.0	2512.8	2492.5	7,293	16,110
■ S&P 500							
Jun	499.30	499.75	+0.20	499.80	498.80	101,281	184,175
Sep	503.40	504.20	+0.25	504.20	503.40	468	5,527
■ Nikkei 225							
Jun	16540.0	16240.0	-210.0	16590.0	16080.0	27,581	115,516
Sep	16540.0	16540.0	+40.0	16540.0	16540.0	2	13

Open interest figures for previous day.

** Sat Mar 11: Taiwan Weighted Price 6480.98; Korea Comp Ex 954.20. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10 §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 17 - 1979.52 -35.63.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

■ TOKYO - MOST ACTIVE STOCKS: Friday, March 17, 1995

	Stocks Traded	Closing Prices	Change on day
Fudo Const	9.4m	810	-20
Shizuoka Bank	8.7m	980	-20
Sumitomo Const	8.4m	625	-10
Keiyo Bank	8.3m	570	-36
Hachijuni Bank	7.0m	1080	
Hokuetsu Bank	6.4m	536	-10
Teijin	5.8m	459	-3
Joyo Bank	5.3m	698	+8
Nth Pac Bank	5.3m	454	
Kawasaki Kisen	5.2m	267	-3

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Mar 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.4586	-0.0952	495 - 677	15.6256	15.4055	15.4482	1.0	15.4124	1.2	-	-	108.8
Belgium	(BFr)	45.4124	-0.2737	664 - 583	45.6930	45.2760	45.4274	-0.4	45.3924	0.2	45.0824	0.7	111.8
Denmark	(DKr)	8.8550	-0.0546	520 - 580	8.8360	8.8329	8.8656	-1.4	8.8477	0.3	8.8379	0.2	108.4
Finland	(FM)	6.8839	-0.0112	781 - 896	6.9730	6.8520	-	-	-	-	-	-	86.9
France	(FFr)	7.8490	-0.0394	461 - 518	7.9247	7.8203	7.8565	-2.5	7.882	-2.2	7.8708	-0.3	109.3
Germany	(DM)	2.1963	-0.0135	951 - 974	2.2236	2.1834	2.194	1.3	2.1878	1.5	2.1529	2.0	115.2
Greece	(Dr)	359.975	-1.773	681 - 270	364.857	358.487	-	-	-	-	-	-	69.2
Ireland	(I£)	1.0017	-0.0008	012 - 022	1.0039	0.9948	1.001	0.8	1.0004	0.5	1.0019	0.0	95.2
Italy	(L)	2745.79	+67.74	473 - 686	2814.64	2684.42	2758.74	-4.8	2778.29	-4.7	2859.59	-4.1	64.0
Luxembourg	(LFr)	45.4124	-0.2737	664 - 583	45.8990	45.2760	45.4274	-0.4	45.3924	0.2	45.0824	0.7	111.1
Netherlands	(Fl)	2.4640	-0.0161	628 - 652	2.4903	2.4531	2.4618	1.1	2.4552	1.4	2.418	1.9	111.4
Norway	(NKr)	9.8558	-0.0573	527 - 589	10.0031	9.8147	9.8465	1.1	9.8308	1.0	9.7268	1.3	100.1
Portugal	(Es)	232.855	-0.908	502 - 209	235.627	231.595	233.65	-4.1	235.36	-4.3	-	-	97.4
Spain	(Pta)	203.867	-0.328	677 - 058	205.785	202.432	204.487	-3.6	205.582	-3.3	210.017	-3.0	77.4
Sweden	(SKr)	11.4578	+0.0243	483 - 672	11.5976	11.4151	11.4599	-0.2	11.4638	-0.2	11.4755	-0.2	78.8
Switzerland	(SFr)	1.8264	-0.0089	253 - 275	1.8510	1.8173	1.8226	2.5	1.8139	2.7	1.7667	3.3	114.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.4
Ecu	-	1.2143	+0.003	136 - 150	1.2204	1.2045	1.215	-0.7	1.2156	-0.4	1.21	0.4	-
SDR†	-	1.03501	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5842	-0.0079	838 - 845	1.5935	1.5722	-	-	-	-	-	-	-
Brazil	(Cr)	1.4185	-0.0086	159 - 211	1.4196	1.3950	-	-	-	-	-	-	-
Canada	(C$)	2.2454	-0.0064	446 - 461	2.2585	2.2285	2.2494	-2.1	2.2549	-1.7	2.2559	-0.5	80.1
Mexico	(New Peso)	11.6745	+0.1017	934 - 555	11.7112	11.2419	-	-	-	-	-	-	-
USA	($)	1.5841	-0.0078	838 - 843	1.5941	1.5727	1.5842	-0.1	1.5829	0.3	1.571	0.8	90.9
Pacific/Middle East/Africa													
Australia	(A$)	2.1568	+0.0234	557 - 579	2.1609	2.1557	2.1597	-1.6	2.1658	-1.6	2.1893	-1.5	81.1
Hong Kong	(HK$)	12.2463	-0.0609	436 - 490	12.3237	12.1593	12.2459	0.0	12.2466	0.0	12.2399	0.1	-
India	(Rs)	49.8224	-0.3209	313 - 134	50.1410	49.5480	-	-	-	-	-	-	-
Israel	(Shk)	4.7029	+0.004	982 - 076	4.7441	4.6542	-	-	-	-	-	-	-
Japan	(Y)	141.416	-1.174	354 - 478	143.500	140.800	140.926	4.2	139.831	4.5	133.921	5.3	161.3
Malaysia	(M$)	4.0416	-0.0127	401 - 430	4.0655	4.0135	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4413	-0.003	396 - 430	2.4464	2.4386	2.4474	-3.0	2.4578	-2.7	2.4779	-1.5	96.9
Philippines	(Peso)	40.7260	-0.4711	403 - 116	40.5128	40.9046	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9408	-0.0293	396 - 419	5.9782	5.8986	-	-	-	-	-	-	-
Singapore	(S$)	2.2375	-0.0066	363 - 386	2.2508	2.2246	-	-	-	-	-	-	-
South Africa	(R)	5.7018	+0.0149	985 - 051	5.7233	5.6617	-	-	-	-	-	-	-
South Korea	(Won)	1228.83	-8.44	655 - 910	1236.54	1220.10	-	-	-	-	-	-	-
Taiwan	(T$)	41.2131	-0.2371	026 - 235	41.4760	40.9217	-	-	-	-	-	-	-
Thailand	(Bt)	39.1577	-0.1929	357 - 797	39.3940	38.8930	-	-	-	-	-	-	-

†SDR rates per £ for Mar 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.7589	-0.012	547 - 631	9.8200	9.7345	9.7489	1.2	9.7284	1.3	9.6579	1.0	108.2
Belgium	(BFr)	28.6685	-0.0315	440 - 930	28.8400	28.6000	28.6785	-0.4	28.7035	-0.5	28.6385	0.1	110.3
Denmark	(DKr)	5.5901	-0.0069	891 - 911	5.6238	5.5812	5.5971	-1.5	5.6081	-1.3	5.5476	-1.0	105.9
Finland	(FM)	4.3458	+0.0143	428 - 487	4.3790	4.3105	4.3463	-0.1	4.3468	-0.1	4.3378	0.2	85.9
France	(FFr)	4.9550	-0.0005	540 - 560	4.9975	4.9450	4.9657	-2.6	4.986	-2.5	5.01	-1.1	108.3
Germany	(DM)	1.3865	-0.0017	860 - 870	1.3975	1.3825	1.3851	1.2	1.3822	1.2	1.3705	1.2	113.6
Greece	(Dr)	227.250	-	100 - 400	229.700	227.100	229.75	-13.2	234	-11.9	251.75	-10.8	68.1
Ireland	(I£)	1.5814	-0.0066	809 - 819	1.5870	1.5809	1.5821	-0.6	1.5845	-0.8	1.5946	-0.8	-
Italy	(L)	1739.40	+51.05	300 - 380	1770.00	1688.10	1740.4	-4.8	1755.2	-5.0	1819.9	-5.0	65.3
Luxembourg	(LFr)	28.6685	-0.0315	440 - 930	28.8400	28.6000	28.6785	-0.4	28.7035	-0.5	28.6385	0.1	110.3
Netherlands	(Fl)	1.5555	-0.0025	550 - 560	1.5685	1.5515	1.5541	1.1	1.551	1.2	1.5376	1.2	110.1
Norway	(NKr)	6.2219	-0.0055	209 - 229	6.2822	6.2085	6.2164	1.1	6.2108	0.7	6.1919	0.5	98.6
Portugal	(Es)	147.000	+0.15	800 - 200	148.500	146.580	147.58	-4.6	148.77	-4.8	153.75	-4.6	97.2
Spain	(Pta)	128.700	+0.425	600 - 800	129.400	128.000	129.1	-3.7	129.87	-3.6	133.675	-3.9	76.8
Sweden	(SKr)	7.2332	+0.0507	284 - 380	7.2941	7.1709	7.247	-2.3	7.2767	-2.4	7.4247	-2.6	78.5
Switzerland	(SFr)	1.1530	-	525 - 535	1.1645	1.1500	1.1506	2.4	1.1458	2.5	1.1247	2.5	114.2
UK	(£)	1.5841	-0.0078	838 - 843	1.5941	1.5727	1.5842	-0.1	1.5829	0.3	1.571	0.8	83.9
Ecu	-	1.3045	-0.0096	040 - 050	1.3135	1.3012	1.3036	0.8	1.3021	0.7	1.2985	0.5	-
SDR†	-	0.64863	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-0.0001	000 - 001	1.0000	1.0001	-	-	-	-	-	-	-
Brazil	(Cr)	0.8955	-0.001	940 - 970	0.8940	0.8860	-	-	-	-	-	-	-
Canada	(C$)	1.4175	+0.0029	172 - 177	1.4210	1.4138	1.4201	-2.2	1.4244	-1.9	1.435	-1.2	79.0
Mexico	(New Peso)	7.3700	+0.1	200 - 200	7.3500	7.2500	7.3723	-0.4	7.3754	-0.3	7.3803	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	92.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3615	+0.0214	611 - 620	1.3722	1.3556	1.3633	-1.6	1.3681	-1.9	1.3827	-2.3	83.7
Hong Kong	(HK$)	7.7310	-0.0004	305 - 315	7.7320	7.7305	7.7298	0.2	7.734	-0.2	7.7695	-0.5	-
India	(Rs)	31.4525	-0.0475	000 - 050	31.4700	31.4548	31.5325	-3.1	31.7775	-4.1	-	-	-
Israel	(Shk)	2.9688	+0.017	664 - 714	2.9800	2.9506	-	-	-	-	-	-	-
Japan	(Y)	89.2750	-0.3	500 - 000	90.3200	89.2000	88.975	4.0	88.355	4.1	85.28	4.5	161.1
Malaysia	(M$)	2.5514	+0.0045	509 - 519	2.5525	2.5497	2.5494	0.9	2.547	0.7	2.5414	0.4	-
New Zealand	(NZ$)	1.5411	+0.0057	404 - 420	1.5529	1.5347	1.5449	-3.0	1.5529	-3.1	1.5762	-2.3	-
Philippines	(Peso)	25.7100	-0.17	600 - 600	25.7800	25.6600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.7513	-0.3	3.7534	-0.3	3.7654	-0.4	-
Singapore	(S$)	1.4125	+0.0015	120 - 130	1.4165	1.4108	1.4073	4.5	1.399	3.8	1.3725	2.8	-
South Africa	(R)	3.5995	+0.027	980 - 010	3.6010	3.5735	3.6175	-6.0	3.6548	-6.1	3.8487	-6.9	-
South Korea	(Won)	775.750	-1.5	700 - 800	776.200	775.300	778.75	-4.6	782.25	-3.4	800.75	-3.2	-
Taiwan	(T$)	26.0175	-0.0215	150 - 200	26.0425	26.0150	26.0375	-0.9	26.0775	-0.9	-	-	-
Thailand	(Bt)	24.7200	-	100 - 300	24.7350	24.7100	24.741	-1.0	24.7675	-0.8	24.855	-0.5	-

†SDR rate per $ for Mar 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 16. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅝	5⅝	5⅞	6⅜	6⅞	7.40	4.50	-
week ago	4⅞	5⅝	6⅛	6⅝	6⅞	7.40	4.50	-
France	7⅞	8⅛	8⅛	8¼	7⅞	5.00	-	8.00
week ago	7⅞	8¼	8⅜	8⅜	8⅛	6.00	-	8.00
Germany	4.90	4.93	5.00	5.13	5.50	6.00	4.50	4.85
week ago	4.88	4.93	5.05	5.20	5.65	6.00	4.50	4.85
Ireland	5⅝	6⅜	7	7⅛	7⅝	-	-	6.25
week ago	5⅝	6⅜	7⅜	7½	7¾	-	-	6.25
Italy	10⅞	11⅛	11⅝	11⅞	12⅜	-	7.50	10.40
week ago	9⅞	11⅛	10⅞	10⅞	11⅝	-	7.50	10.10
Netherlands	4.97	5.01	5.10	5.27	5.64	-	6.25	-
week ago	4.84	5.01	5.12	5.30	5.71	-	5.25	-
Switzerland	3⅝	3⅝	3⅝	3⅞	4⅛	6.625	3.50	-
week ago	3½	3⅝	3⅞	4	4⅛	6.625	3.50	-
US	5⅞	6⅛	6⅛	6⅜	6⅝	-	5.25	-
week ago	5⅞	6⅛	6¼	6⅛	6⅞	-	5.25	-
Japan	2⅛	2⅛	2¼	2¼	2⅜	-	1.75	-
week ago	2⅛	2⅛	2¼	2¼	2⅜	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	6⅛	6¼	6⅝	6⅞	-	-	-
week ago	-	6⅛	6¼	6½	6⅞	-	-	-
US Dollar CDs	-	5.88	6.08	6.20	6.52	-	-	-
week ago	-	5.88	6.10	6.33	6.74	-	-	-
SDR Linked Ds	-	4⅝	4½	4⅝	4⅞	-	-	-
week ago	-	4⅝	4½	4⅝	4⅞	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6¼; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 1/16 - 5 15/16	6¼ - 6⅛	6 11/16 - 6 9/16	6 13/16 - 6 9/16	6 13/16 - 6 11/16	6⅞ - 6¾
Danish Krone	6½ - 6¼	7¼ - 7	7⅜ - 7⅛	7½ - 7¼	7½ - 7¼	7¾ - 7½
D-Mark	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 - 4⅞	5⅛ - 5	5½ - 5⅜
Dutch Guilder	4 15/16 - 4⅞	4 15/16 - 4⅞	5 - 4 15/16	5 1/16 - 5	5¼ - 5 3/16	5⅝ - 5½
French Franc	8 - 7½	8½ - 8	8⅞ - 8⅜	8⅞ - 8⅜	8¾ - 8¼	8⅛ - 7⅝
Portuguese Esc.	8⅝ - 8½	10½ - 10	11½ - 10½	12 - 11	12 - 11	11⅞ - 11¼
Spanish Peseta	8 13/16 - 8⅝	9⅜ - 8⅞	9⅞ - 9½	10 - 9⅝	10⅜ - 10	11 - 10⅝
Sterling	5⅞ - 5⅝	6 - 5¾	6 5/16 - 6 3/16	6 13/16 - 6 9/16	7⅛ - 7	7¾ - 7⅝
Swiss Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3 11/16 - 3 9/16	3⅞ - 3¾	4⅛ - 4
Can. Dollar	8 - 7 13/16	8 - 7 13/16	8 3/16 - 8 1/16	8 3/16 - 8 1/16	8⅛ - 8	8⅛ - 8
US Dollar	6 - 5⅞	6 1/16 - 5 15/16	6⅛ - 6	6¼ - 6⅛	6 7/16 - 6 5/16	6¾ - 6⅝
Italian Lira	10½ - 9	12 - 11½	12¼ - 11¾	12¼ - 11¾	12⅜ - 11⅞	12½ - 12
Yen	2⅜ - 2⅛	2 7/32 - 2 3/32	2¼ - 2 3/16	2 3/16 - 2⅛	2 3/16 - 2⅛	2 3/16 - 2⅛
Asian $Sing	½ - ¼	1⅛ - 1	1 13/16 - 1 11/16	2¼ - 2⅛	2⅜ - 2⅝	3¼ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.54	93.52	-0.03	93.54	94.50	145,134	519,334
Sep	93.34	93.30	-0.04	93.35	93.29	140,528	328,984
Dec	93.15	93.13	-0.03	93.14	93.09	109,443	254,647

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.04	93.81	-0.05	94.05	94.02	1,046	17,656
Sep	93.83	93.67	-0.04	93.84	93.81	1,199	9,955
Dec	-	93.66	-	93.68	93.64	2,574	8,716

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.50	17.28	4.836	2.207	6047	5.426	21.70	512.7	448.8	25.24	4.021	2.202	4.944	3.488	311.4	2.673
Denmark	(DKr)	51.28	10	8.864	2.480	1.132	3101	2.783	11.13	262.9	230.2	12.94	2.062	1.129	2.535	1.769	159.7	1.371
France	(FFr)	57.85	11.28	10	2.798	1.277	3499	3.139	12.56	296.8	259.7	14.60	2.326	1.274	2.860	2.018	180.2	1.547
Germany	(DM)	20.68	4.032	3.574	1	0.456	1250	1.122	4.488	106.0	92.81	5.219	0.832	0.455	1.022	0.721	64.39	0.553
Ireland	(I£)	45.32	8.837	7.833	2.192	1	2741	2.459	9.836	232.3	203.4	11.44	1.822	0.998	2.241	1.581	141.1	1.212
Italy	(L)	1.654	0.322	0.286	0.080	0.036	100.	0.090	0.359	8.478	7.422	0.417	0.066	0.036	0.082	0.058	5.149	0.044
Netherlands	(Fl)	18.43	3.594	3.185	0.891	0.407	1114	1	4.000	94.48	82.71	4.651	0.741	0.406	0.911	0.643	57.39	0.493
Norway	(NKr)	46.07	8.984	7.964	2.228	1.017	2786	2.500	10	236.2	206.8	11.63	1.853	1.015	2.278	1.607	143.5	1.232
Portugal	(Es)	19.51	3.804	3.372	0.943	0.430	1180	1.058	4.234	100.	87.54	4.923	0.784	0.430	0.964	0.680	60.74	0.521
Spain	(Pta)	22.28	4.345	3.851	1.078	0.492	1347	1.209	4.836	114.2	100.	5.623	0.896	0.491	1.102	0.777	69.38	0.596
Sweden	(SKr)	39.62	7.727	6.849	1.916	0.874	2396	2.150	8.600	203.1	177.8	10	1.593	0.873	1.959	1.382	123.4	1.059
Switzerland	(SFr)	24.87	4.849	4.298	1.203	0.549	1504	1.349	5.398	127.5	111.6	6.276	1	0.548	1.229	0.867	77.44	0.665
UK	(£)	45.41	8.855	7.849	2.196	1.002	2746	2.464	9.856	232.8	203.8	11.46	1.826	1	2.245	1.584	141.4	1.214
Canada	(C$)	20.23	3.944	3.496	0.978	0.446	1223	1.098	4.390	103.7	90.78	5.105	0.813	0.445	1	0.706	62.98	0.541
US	($)	28.67	5.590	4.955	1.386	0.633	1734	1.556	6.222	147.0	128.7	7.235	1.153	0.631	1.417	1	89.27	0.766
Japan	(Y)	32.11	6.262	5.551	1.553	0.709	1942	1.743	6.970	164.6	144.1	8.105	1.291	0.707	1.588	1.120	100.	0.859
Ecu		37.41	7.294	6.465	1.809	0.825	2262	2.030	8.119	191.8	167.9	9.440	1.504	0.824	1.849	1.305	116.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.7181	0.7123	+0.0063	0.7261	0.7123	33,694	56,710
Sep	0.7260	0.7234	+0.0054	0.7282	0.7227	188	1,755
Dec	0.7265	0.7258	+0.0056	0.7300	0.7258	16	221

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.8639	0.8540	+0.0083	0.8780	0.8637	20,380	28,447
Sep	0.8756	0.8745	+0.0104	0.8825	0.8750	145	1,981
Dec	0.8795	0.8803	+0.0106	0.8880	0.8795	3	133

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	1.1201	1.1101	+0.0125	1.1370	1.1186	22,875	57,027
Sep	1.1410	1.1131	+0.0139	1.1480	1.1390	630	2,290
Dec	-	1.1459	+0.0141	1.1630	1.1550	14	384

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun.	1.5888	1.5890	+0.0226	1.5936	1.5710	6,953	21,154
Sep	-	1.5836	-0.0032	1.5820	1.5710	3	142
Dec	-	1.5806	-0.0032	-	-	2	11

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.525	6.43	6.95	7.40	0.61	1.21	1.78
1.550	4.52	5.21	5.76	1.19	1.94	2.53
1.575	2.95	3.74	4.35	2.10	2.89	3.58
1.600	1.84	2.58	3.20	3.38	4.21	4.89
1.625	1.05	1.76	2.35	5.09	5.82	6.44
1.650	0.56	1.13	1.84	7.08	7.66	8.20

Previous day's vol., Calls 8,594 Puts 3,978 . Prev. day's open int., Calls 222,228 Puts 309,145

■ Pound in New York

Mar 16	— Close —	— Prev. close —
£ spot	1.5845	1.5885
1 mth	1.5843	1.5884
3 mth	1.5830	1.5871
1 yr	1.5704	1.5751

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies & Finance page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Mar 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅝ - 3¾	5¾ - 5⅛	6 3/16 - 6	6 11/16 - 6½	7⅛ - 6 15/16	7 11/16 - 7⅝
Sterling CDs	-	-	6 3/16 - 6	6 15/16 - 6 13/16	7 - 6⅞	7½ - 7 7/16
Treasury Bills	-	-	6 - 5 15/16	6¼ - 6⅛	-	-
Bank Bills	-	-	6 1/16 - 5 15/16	6⅜ - 6¼	6¾ - 6⅝	-
Local authority deps.	5 3/16 - 5 1/16	5⅞ - 5 7/16	6⅛ - 6	6⅝ - 6½	7 3/16 - 6 15/16	7 9/16 - 7 7/16
Discount Market deps	6¾ - 5	5⅜ - 5¼	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.0311pc. ECGD fixed rate Stlg. Export Finance. Make up day Feb 28, 1995. Agreed rate for period Mar 26, 1995 to Apr 25, 1995, Schemes II & III 8.06pc. Reference rate for period Feb 1, 1995 to Feb 28, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from Mar 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Mar 17	Mar 10
Bills on offer	£700m	£700m
Total of applications	£2246m	£2479m
Total allocated	£700m	£700m
Min. accepted bid	£98.495	£98.485
Allotment at min. level	83%	92%

	Mar 17	Mar 10
Top accepted rate	6.0365%	6.0767%
Ave. rate of discount	6.0311%	6.0752%
Average yield	6.1232%	6.1686%
Offer at next tender	£700m	£700m
Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday March 15, 1995 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	1,217,459,792	+5,849,420
Bankers deposits	1,803,307,366	+32,615,541
Reserve and other accounts	3,389,792,191	-1,773,697,133
	6,425,112,369	-1,735,432,072
Assets		
Government securities	1,098,283,456	+5,260,000
Advance and other accounts	4,501,594,718	-1,738,505,740
Premise, equipment and other secs	817,056,890	-827,416
Notes	8,007,317	-1,254,029
Coin	169,968	-4,887
	6,425,112,369	-1,735,432,072
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,261,992,683	+1,254,029
Notes in Banking Department	8,007,317	-1,254,029
	18,270,000,000	-
Assets		
Other Government securities	13,810,891,664	+1,997,755,680
Other Securities	4,459,108,336	-1,997,755,680
	18,270,000,000	-

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7	●Smith & Williamson Secs	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	TSB	6.75
Bank of Baroda	6.75	Girobank	6.75	●United Bk of Kuwait	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	Unity Trust Bank Plc	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Western Trust	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Whiteaway Laidlaw	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Yorkshire Bank	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75		
Barclays Bank	6.75	C. Hoare & Co	6.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	* In administration	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	●Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											

* Note: Issue price 10p higher for institutional and overseas investors.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994/95 High	1994/95 Low	Stock	Closing price p	+or-
[illegible]							

FT GOLD MINES INDEX

	Mar 17	% chg since 30/12/94	Mar 16	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1857.31	-6.6	1856.29	45.87	100.00	2.29	2337.99	1637.91
■ Regional Indices								
Africa (16)	2689.25	-15.7	2723.59	14.28	31.07	5.08	3711.87	2304.45
Australasia (7)	[illegible]							
North America (11)	[illegible]							

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK: Post Approach 0800 414181 — Jersey: 01534 71696
Private Clients 0800 414161 — 00 352 250404230
From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

	Selling Price	Yield Gr's	City-Line
A$ Accum	A$17.375	8.60	[illegible]
A$ Dist	A$15.121	8.60	[illegible]
ASch Accum	Sch238.80	3.60	[illegible]
ASch Dist	Sch200.90	3.60	[illegible]
BFr Accum	BFr338.52	5.10	[illegible]
BFr Dist	BFr302.69	5.10	[illegible]
C$ Accum	C$17.387	6.90	[illegible]
C$ Dist	C$15.123	6.90	[illegible]
DKr Accum	DKr107.94	5.30	4041
DKr Dist	DKr100.58	5.30	[illegible]
DM Accum	DM36.727	3.80	[illegible]
DM Dist	DM30.145	3.80	[illegible]
DFl Accum	DFl30.461	3.90	[illegible]
DFl Dist	DFl25.729	3.90	[illegible]
ECU Accum	Ecu12.851	5.40	[illegible]
ECU Dist	Ecu10.062	5.40	[illegible]
FM Accum	FM105.36	3.80	[illegible]
FM Dist	FM100.48	3.80	[illegible]
FFr Accum	FFr162.865	5.90	[illegible]
FFr Dist	FFr90.304	5.90	[illegible]
HK$ Accum	HK$112.00	5.80	[illegible]
HK$ Dist	HK$100.75	5.60	[illegible]
Ir£ Accum	£11.447	4.70	[illegible]
Ir£ Dist	£10.055	4.70	[illegible]
Lire Accum	L20675	8.50	[illegible]
Lire Dist	L15149	8.50	[illegible]
NZ$ Accum	NZ$35.383	7.90	[illegible]
NZ$ Dist	NZ$30.281	7.90	[illegible]
NKr Accum	NKr106.09	3.90	[illegible]
NKr Dist	NKr100.57	3.90	[illegible]
PEs Accum	Es2880.3	9.90	[illegible]
PEs Dist	[illegible]	9.90	[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.
Intl Currencies Fd Ltd

	Selling Price	Yield Gr's	City-Line
US$	$40.79	4.91	[illegible]
Canadian $	C$81.71	6.61	[illegible]
£ Sterling	£29.43	4.78	[illegible]
D-Mark	DM[illegible]	3.72	[illegible]
Swiss Francs	SFr[illegible]	2.30	[illegible]
Japanese Yen	Y9652	1.21	[illegible]
Managed Fund	$43.02	–	[illegible]

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021

	Init Chrg	Selling Price	Buying Price	Yield Gr's	City-Line
GlobalSar Dollar Accum	5	$28.82	28.49	–	[illegible]
GlobalSar Dollar Dist	5	$25.35	26.93	2.85	[illegible]
GlobalSar-£	5	£16.21	17.19	4.53	[illegible]
(Accum Units)	5	£18.71	19.84	–	[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

	Init Chrg	Selling Price	Buying Price	Yield Gr's	City-Line
European Bd $	3	$11.1032	11.4506	7.65	[illegible]
Asprox Stlg Equit	3	£9.8547	7.1974	7.66	[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Emerging Mkts Liquid Inv Ptfls	$11.18	11.66	–	40063

Apollo Investment Management Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Japan	£9.889	10.534	–	–
Tiger	£9.209	9.805	–	53497

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Managed Currency	$10.82	10.85	–	47941
International Bond	$10.97	11.01	–	47940

Bachmann Global Investment Fund Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Cash, Gilt & Stlg Fxd Int	£17.62	17.88	–	45621
US Dollar Intl Bond & Cy	$153.13	156.90	–	45607
Sterling Int Bond & Cy	£100.55	102.71	–	50129
Global Equity	£8.74	9.17	–	50130
Intl Equity Index	$99.11	102.78	–	–

Bellinvest Management (Guernsey) Ltd

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd

Capital International

Global Asset Management - Contd.

Man International Futures - Contd.

Sabre Futures Fund

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		50½	—	8%	–	Jan Dec	14.11	1767
9¼pc Non-Cum Prf		4¼	—	9¼%	–	Jan Jul	14.11	1421
Cater Allen		461	6.7	28.3	1.6	Jan Jul	12.12	2081
Close Bros		248xd	4.8	7.9	2.9	Apr Oct	13.3	2166
Gerrard & Nat		425	6.8	24.0	1.3	Jul Dec	7.11	2806
Hambros		215	8.0	15.0	1.1	Aug Dec	28.11	2812
7½pc Cv Pf		95xd	—	7½%	–	Oct Apr	20.2	4366
Joseph (L)		383	—	17.65	1.9	Sep Dec	5.12	3060
King & Shaxson		87	—	9.0	1.1	Jan Jul	19.12	3086
Kleinwort Benson		614xd	7.0	21.5	2.1	May Oct	27.2	3102
Rea Bros		58	—	0.95	3.2	May Oct	29.8	3785
Schroders		1468	4.2	20.6	5.0	May Oct	12.9	3939
NV		1328	3.1	20.6	5.9	May Oct	12.9	3941
Singer & Fried		82	—	3.5	♦	Nov Jun	19.9	4028
Union		73xd	2.1	3.0	♦	Apr Oct	13.3	4353
Warburg (SG)		724	4.0	22.0	2.4	Jul Dec	14.11	4425
Wintrust		205xd	-4.7	10.6	1.5	Oct Mar	20.2	4524

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£22½	0.3	Q64%	♦	Sep May	8'93	–
ANZ A$		229	7.0	Q25c	2.4	Jan	12'93	–
Abbey National		445xd	4.7	17.75	2.6	May Oct	13.3	5411
Allied Irish I£		285xd	2.7	Q57.1%	2.7	Oct Apr	20.2	1354
Anglo Irish I£		51	—	Q17.5%	1.8	Jan Jul	28.11	1355
Asahi Y		703½	-3.3	Q14%	1.3	Jun Dec	12'92	3049
Banco Bil Viz Pta		£15⅝	-2	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		£24⅓	—	Q34.7%	♦	Apr Oct	1.8	–
Bk Ireland I£		304	1.3	Q14.7%	3.2	Jan Jul	21.11	1360
Bank Scotland		211½	0.7	5.31	3.3	Jul Dec	17.10	1742
9¼pc Pf		117¼	1.1	9¼%	–	May Nov	17.10	1462
9¼pc Pf		123¼	0.4	9¼%	–	May Nov	17.10	1685
Barclays		597½xd	1.0	21.0	3.2	Oct May	13.3	1754
Dai Ichi Kan Y		£11⅛	-1.0	Q17%	1.2	Jun Dec	9'93	–
Deutsche DM		£315¾	2.4	Q33%	–	May	5'93	–
Espirito Santo		9⅝	-2.5	Q113e	♦	Jun	6'93	5187
Fuji Bank Y		1301	-4.7	Q17%	1.3	Dec Jun	7'93	–
HSBC HK		681	6.8	27.0	2.9	Nov May	5.9	2796
HSBC (75p Shs)		688½	6.5	27.0	2.9	Nov May	5.9	2776
Irish Permanent		266	1.1	6.0	♦	May Oct	–	4709
Lloyds		577xd	1.9	25.8	2.3	Oct May	20.2	3171
Mitsubishi Y		£14⅛	0.5	Q17%	1.6	Jun Dec	12'92	–
Mits Tst & Bk Y		808¼	-2.9	Q16%	12.4	Jun Dec	12'92	–
Mitsui Tst & Bk Y		542¼	-5.5	Q17%	5.5	Jun Dec	12'92	–
Nat Aust A$		523	5.9	Q74c	1.7	Jan Jul	21.6	–
NatWest		509xd	2.8	21.6	2.8	Oct May	27.2	3463
Ottomane FFr		£23¼	—	Q125%	2.8	May	25.5	–
Ryl Bk Scotland		414	1.0	13.75	2.3	Feb Jul	12.12	3874
Sakura Y		£7⅛	—	Q17%	3.0	Dec Jun	12'92	–
Sanwa Y		£12⅛	-3.0	Q17%	2.0	Jun Dec	12'92	–
Standard Chartd		284	5.2	8.0	4.1	Jun Oct	22.8	4094
7 3/8pc Prf		88xd	-3	7.37	–	Apr Oct	6.3	1719
Sumitomo Y		£12⅓	-1.9	Q17%	1.3	Jun Dec	12'92	–
Sumitomo Tst Y		774¼	0.6	Q17%	1.9	Jun Dec	12'92	–
TSB		241xd	5.2	9.02	2.5	Apr Oct	13.3	4320

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Tarmac		112	10.3	5.5	–	Jul Dec	3.10	4170
Titon		155	—	4.5	2.8	Feb Jul	9.1	4801
Travis Perkins		282	1.4	8.3	2.0	Nov May	26.9	3913
Tudor		28	—	0.25	–	Jul	25.4	4325
Unigroup		39	14.7	–	–	–	6'93	4346
Universal Ceramic		56	—	3.75	1.9	May Oct	–	–
Waterhouse		38	—	–	–	Aug	7'92	1997
Wickes		106	1.9	1.8	2.9	Dec Jul	17.10	4498
Wolseley		367½	6.2	8.95	5.8	Jan Jul	14.11	4628

CHEMICALS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
AGA SKr		98½	-3.8	Q9%	♦	May	5'93	–
Akzo Fl		£72⅛	1.6	Q32½%	1.8	Nov May	5'93	–
Allied Colloids		119	2.6	2.4	2.8	Feb Aug	3.1	1581
Amber Ind		783	—	21.9	2.1	Jan Aug	5.12	1584
BASF DM		£136⅓	2.9	Q28.6%	–	Apr	5'93	–
BOC		703	-.6	24.8	1.5	Feb Aug	21.11	1660
BTP		253	—	10.9	1.6	Feb Aug	19.12	1806
Bayer DM		£199⅓	1.2	Q26%	–	Apr	6'93	–
Brent		107xd	5.5	4.2	♦	Apr Nov	13.3	1943
British Vita		257	7.1	7.7	2.0	May Nov	19.9	1927
Cambridge Iso S		39	—	–	–	–	11'91	2043

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

FOOD PRODUCERS

GAS DISTRIBUTION

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£32½	——	0450c	ф	Oct Mar	3'93	–
Barlow	♣	28¼	6.3	058c	2.8	Jan Jul	12.12	–
Gold Flds Prop R		144xa	——	080c	ф	Feb Sep	1'94	–
NK Props.		80	5.9	087.1c	–	Feb Sep	10'93	–
SASOL	♥	597	13.7	078c	–	Oct	9'93	–
SA Brews	†	£17⅞	8.4	0163c	2.2	Jun Dec	21.11	–
Tiger Oats		890	9.7	085c	2.8	Jan Jul	12.12	–
Tongaat-Hulett	††	636	——	080c	2.4	Feb Aug	1'94	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⁂ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
z Dividend includes a special payment: Cover does not apply to special payment.
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1995.
K Dividend based on prospectus or other official estimates for 1994
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1995-96.
N Figures based on "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Canadian General Inv. (Inv. Co's.), Wessex Trust (Props.) and American Express (Americans). Deletions: Fairhaven and Plat Petim. (Oil Expln.) and Pentos (Retailers General).

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Call 0171-873 4378 (+44 171 873 4378, International) for more information on FT Cityline.

4 pm close March 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
14¼	12⅞	AAR	0.48	3.6	22	112	13⅜	13⅛	13¼	
22⅛	19¼	ALPharmaA	0.18	0.9	264	153	21¼	21⅛	21⅛	-¼
38⅛	35	AMP	0.92	2.5	21	5809	37¼	37	37⅛	
62¾	53½	AMR			27	3420	62¼	61½	61½	-⅝
47⅞	41⅞	ASA	1.71	3.8	29	2421	45½	45	45⅛	-½
37⅝	30¾	Abbott L	0.84	2.3	19	18022	37	36⅝	36⅞	+⅛
14	12	Abbtn Pr	0.50	3.8	11	3445	13¼	12⅞	13	-¼
24⅜	22⅛	ABM Ind	0.60	2.7	13	88	22⅞	22⅝	22⅝	-⅛
16⅝	14½	Acptncsln			8	18	15	14¾	14⅞	
25⅞	21⅞	ACE Ltd	0.44	1.8	7	1850	24½	23⅞	24⅛	+¼
9¾	8½	ACM Gvt In	0.90	10.4	7	198	8¾	d8½	8⅝	
7½	6½	ACM GvOpp	0.66	10.2		120	6⅝	d6½	6½	-⅛
7½	5¾	ACM Gvt Sp	0.75	12.2		143	6¼	6⅛	6⅛	
8⅝	7½	ACM Gvt Se	0.90	12.0		168	7⅝	7½	7½	-⅛
8½	7⅝	ACM Man	1.08	13.9		106	7⅞	7¾	7¾	-⅛
7⅞	7⅛	ACM Managd	0.72	9.9		86	7¼	d7⅛	7¼	+⅛
16¼	10¼	AcmeClv	0.48	3.6	8	107	13⅝	13⅛	13½	+⅜
21½	12½	Acme Elec			20	133	17¾	17⅜	17½	-½
34½	31⅞	Acordia	0.72	2.2	16	22	32⅝	32⅝	32⅝	-¼
11⅜	8⅝	Actava	0.36	3.7	7	686	10	9⅝	9⅝	-⅛
16¾	11⅞	Acuson			19	625	12⅛	12	12	-¼
16⅝	15⅝	Adams Expr	0.36	2.2	0	135	16⅞	16¾	16¾	-⅛
68½	53	Ad Micro	3.00	4.5		66	66	66	66	
35⅝	25	AdvMic	3.00	8.7	11	5432	35⅛	34¾	34½	-⅝
6⅞	5	Advest Grp	0.16	2.8	28	198	6	5⅞	5⅞	-⅛

Continued on next page

4 pm close March 17

NYSE COMPOSITE PRICES

Continued from previous page

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
11⅝	10⅝	Salomon Br	0.38	3.3	23	401	11½	11¼	11½	
40⅛	32⅞	Salomn	0.64	1.9	8	2286	34½	34	34¼	-¼
21⅝	19⅛	SnDgGE	1.56	7.6	17	334	20⅞	20⅝	20⅝	-⅛
9⅞	8	SntaFeERs	0.16	1.7	158	3068	u10	9½	9½	-¼
12¾	9	SFeGd			36	8652	12⅜	12	12⅛	
36¼	33¼	SFePPipe	2.80	7.8	8	48	36¼	36	36⅛	+⅛
22¾	17⅛	SntFeP	0.10	0.4	21	7857	u23½	22½	23	+⅜
27½	24¼	SaraLee	0.68	2.5	56	11009	u27¾	27½	27⅝	+⅛
45⅛	42	Scana Corp	2.88	6.9	13	317	42⅛	d41⅞	41⅞	-⅜
18⅞	14½	Scecrp	1.00	6.5	10	15587	15½	15⅜	15½	-¼
11¼	8¼	SchawkA	0.26	2.9	31	136	9	8⅞	8⅞	-⅛
49¼	42⅞	SchererRP			29	331	48	46½	47⅝	+1⅛
79⅛	71	SchPl	2.04	2.6	16	6393	77¾	76¾	77½	+⅝
59¼	50⅛	Schlmb	1.20	2.0	26	5437	58⅝	58¼	58⅝	+⅜
32⅞	22⅛	Schwab(C)	0.24	0.7	20	2749	u32⅝	31⅞	32½	+¼
10⅞	7¾	Schwitzer			8	43	10	9⅞	9⅞	
24½	17½	SciAtl	0.06	0.3	30	2381	24⅛	23¾	23¾	-⅛
18⅝	16⅞	Scotmen	0.10	0.6	12	46	18¼	18⅛	18⅛	-⅛
85⅛	67⅛	ScottP	0.80	0.9	23	4871	84⅞	83⅞	84⅝	+⅜
30⅛	26⅞	Scripps	0.44	1.6	18	285	29⅛	28⅞	29¼	+½
21½	14⅝	ScuddrNAsF	0.02	0.1		36	15⅛	14⅞	14⅞	-⅛
9¼	8¾	ScuddrNEuF	0.16	1.8		41	9	8⅞	8⅞	-⅛
14⅞	13⅜	SeaCnB	0.70	4.8	9	70	14⅝	13⅞	14½	+⅞
16	14¼	SeaC1.4625	1.46	9.8		3	14⅞	14⅞	14⅞	
28	23⅝	S'gate			7	2867	25⅜	25	25⅜	+¼
31	26⅝	Seagrm	0.60	2.0	13	6755	30½	30¼	30½	+⅛
19¾	15¼	Seagull En			205	3309	18¾	18¼	18⅝	
45½	35⅞	Sealed Air			23	389	44⅞	44¼	44⅝	
61¼	44⅛	SearsR	1.60	3.1	16	29803	u57¼	50¼	51¼	+⅞
12¼	10⅞	Seligm Sel x	0.84	6.9		52	u12¼	12⅛	12¼	
67¼	61¾	TRW								
28⅝	19¼	Talman								
10¼	7⅜	Talley								
15½	12½	Talley								

NASDAQ NATIONAL MARKET

4 pm close March 17

AMEX COMPOSITE PRICES

4 pm close March 17

FT GUIDE TO THE WEEK

MONDAY 20

Gore begins Mideast trip

US vice-president Al Gore (left) begins a Middle East trip aimed at spurring economic development to cement the Arab-Israeli peace process. The tour, the third to the region this month by a member of President Bill Clinton's cabinet, will take Mr Gore to Israel, Egypt, Jordan, Oman, and the autonomous Palestinian territory of Jericho, where he will meet the PLO chairman, Yassir Arafat.

Defence secretary William Perry also traverses the Middle East to affirm US security strategy, *visiting mainly* the countries Mr Gore does not. Meanwhile, Klaus Kinkel, the German foreign minister, visits Egypt, Kuwait, Bahrain, Qatar and Ankara in a three-day tour focusing mainly on the Middle East peace talks and trade.

Pact on European stability

Representatives of more than 50 states gather in Paris for a conference marking the conclusion of a European Stability Pact, by which central and east European countries are supposed to have prepared themselves for European Union membership by settling old quarrels. It covers accords on ethnic minorities, borders and good-neigbourly relations.

The conference is the outcome of the "Balladur Plan", *launched* by the French prime minister soon after he took office in 1993 and later adopted by the EU. The event was timed to give a boost to Mr Balladur's election campaign, but has turned into yet another headache for the *beleaguered* prime *minister* as last-minute talks between Hungary and Romania about treatment of the latter's ethnic Hungarian minority broke down last week.

Moves on EU fraud

European Union finance ministers meet in Brussels to discuss new regulations to combat fraud and progress in tackling international *money-laundering.* Ministers are also expected to approve an Ecu75m ($88m) balance of payments loan *to the former* Soviet republic of Belarus.

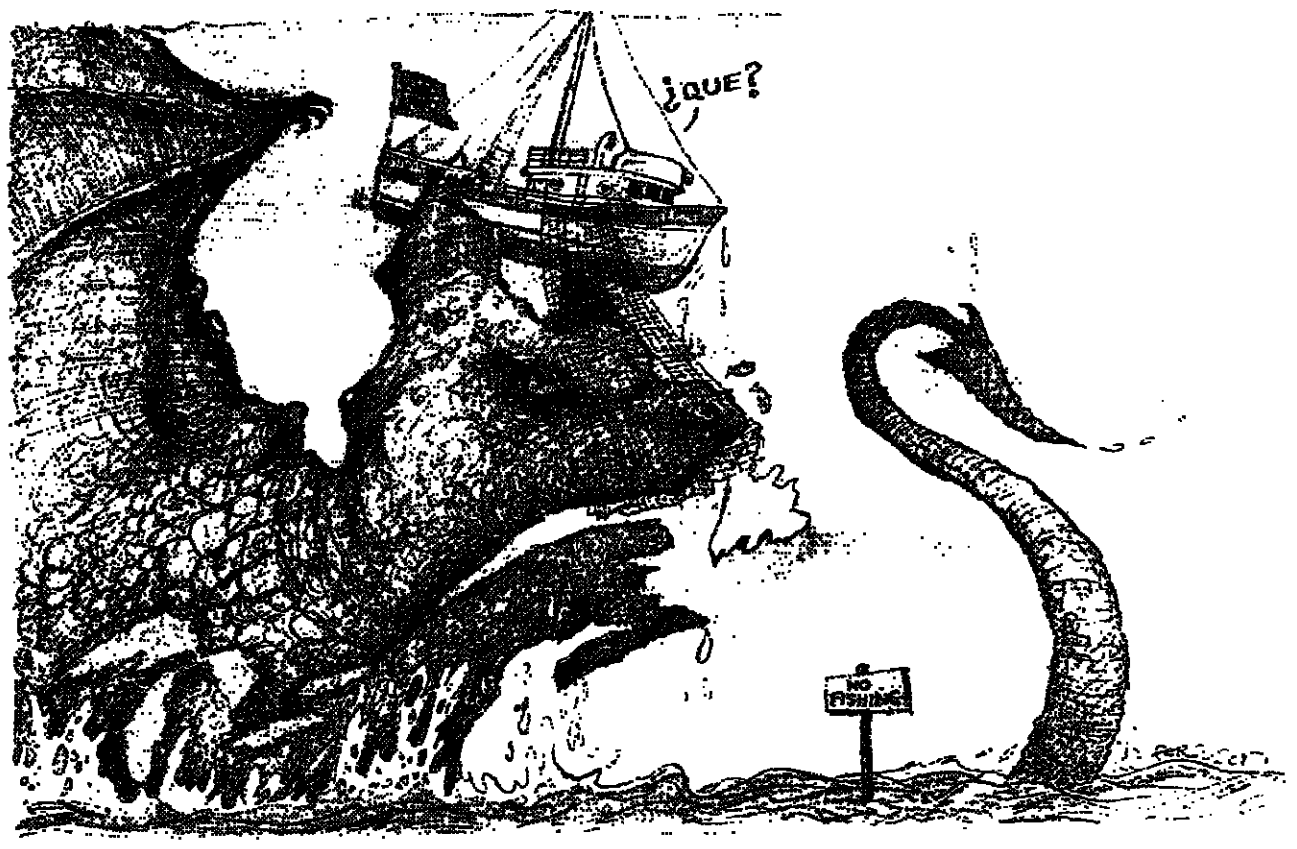
Japanese bank rescue

Tokyo Kyodo Bank, a government-backed rescue bank, is due to open so that it can take over the operations of two near-bankrupt financial institutions. Kyowa Credit Association and Anzen Credit Bank. The bail-out, Japan's first *official bank rescue since 1927, has* attracted much criticism.

Ruling due on Bush plot

Kuwait's highest court is due to deliver its verdict on appeals against death sentences passed on five Iraqis and one Kuwaiti found guilty of trying to assassinate former US president George Bush during a 1993 visit. The alleged plot was seen by Washington as a reprisal for Mr Bush's leadership of the coalition against Iraq during the 1991 Gulf War.

Ratification of the sentences, which *would require the signature of Kuwait's* emir, Sheikh Jaber al-Ahmed al-Sabah, could lead to renewed tensions with President Saddam Hussein's regime.



All washed up: Wednesday's crisis meeting to discuss the fishing dispute between Canada and Europe has been cancelled after Canada refused to attend

Holidays

Iran (Petroleum Day), Tunisia (Independence Day).

TUESDAY 21

Jospin launches rallies

Lionel Jospin, the Socialist candidate in the French presidential election, travels to Rennes in western France to launch a series of big campaign rallies aimed at strengthening his challenge to his two *Gaullist rivals, Edouard Balladur and* Jacques Chirac. The Socialist hopeful is neck-and-neck in the polls with Mr Balladur, the prime minister, but trails Mr Chirac, the mayor of Paris.

Kurdish unrest feared

The celebration of Nevruz, Kurdish New Year, has often marked an escalation in the 11-year conflict between Turkish government forces and Kurdish rebels in the south-east of the country.

Donors meet on Iraq, Ukraine

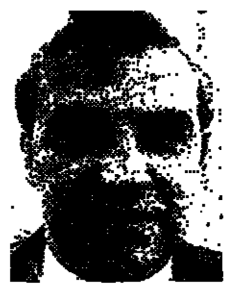
Donor nations meet in Geneva to pledge funds for United Nations humanitarian programmes in Iraq over the coming year. The UN is asking for some $130m to cover basic food and health needs of more than 1m people, including half a million Kurds in northern Iraq. Iraq has refused UN conditions for oil sales to cover food purchases and compensation for victims of its 1990 invasion of Kuwait.

International donors in Paris will be asked to provide $900m in bilateral aid for *Ukraine. The two-day conference,* organised by the World Bank, was called to mobilise financing to cover a $5.5bn balance of payments gap this year.

Kuwait puts in $1bn claim

Compensation demands *totalling* more than $160bn are being sifted by the Geneva-based UN Compensation *Commission, whose meeting* this week will focus on a $1bn claim by the Kuwait Oil Company for the cost of putting out hundreds of oil-well fires.

Drive for cleaner fuel



Jim Dowd (left), Labour MP for Lewisham, hopes *to take the high* ground in Britain's drive to cleaner petrol with a press conference in the House of Commons on the benefits of oxygenated fuel. The reformulated petrol, already in use in the US, *burns more cleanly than* conventional types because of added oxygen and fewer polluting aromatics. No *alterations to cars or petrol pumps are* needed and the additional cost is about 1 per cent of the total retail price.

Romanian privatisation

Romania's Chamber of Deputies, the lower house of parliament, votes on a much delayed mass privatisation programme. This aims to sell off some 3,000 state companies, around half of those due for privatisation, in the next year.

Holidays

Iran (New Year), Japan (Spring Equinox Day), Mexico (Juárez Birthday), South Africa (Human Rights Day), Syria (Mothers' Day), Tunisia (Youth Day).

WEDNESDAY 22

Christopher meets Kozyrev

US secretary of state Warren Christopher and Russia's foreign minister Andrei Kozyrev meet in Geneva (to March 23) to pave the way for a possible May summit between presidents Bill Clinton and Boris Yeltsin. Mr Yeltsin has invited Mr Clinton to Moscow for celebrations on May 9 to mark the 50th anniversary of the allied victory over Nazi Germany. However, US misgivings over Chechnya, and Russian *opposition to Nato enlargement*, could set back summit plans.

Kuchma visits Japan

Ukrainian president Leonid Kuchma begins a four day visit to Japan. He will meet Emperor Akhito, Prime Minister Tomiichi Murayama and entrepreneurs. The first ever visit by a Ukrainian head of *state is designed to promote business* contacts. But Mr Kuchma also is expected to ask Japan for economic support on the strength of Ukraine's economic reform programme.

Israel and non-proliferation

Arab League foreign ministers meet in Cairo to discuss the Nuclear Non-Proliferation Treaty (to March 23). Israel, citing security concerns, does not want to sign the treaty when it comes up for renewal next month despite a barrage of stern criticism from Egypt and its Arab allies. The issue has further complicated the Middle East peace process.

US trade figures

The US Commerce Department releases the merchandise and services trade balance for January. *Analysts expect* rises in both goods and services but a widening gap – with the deficit rising from $7.3bn in December to some $8.5bn in January.

Cinema celebrates 100 years

France hosts a colloquium in Paris on the future of cinema, the first of many events to celebrate its centenary *this year, as* historians pitch in with dates and watersheds. On March 22 1895, the *Lumière* brothers unveiled their *cinématographe* to the Société d'Encouragement pour L'Industrie Nationale – the first ever "film critics" saw their first ever movies. Expect more hoopla in November and December to mark the first public and paying showings.

Workplace blues

London's Royal Institute of British Architects hosts a two-day forum on workplace comfort which will look at offices from the occupants' point of view. One issue it will discuss is the "sick building syndrome": buildings that are so badly designed they lower productivity and can even make their workers ill.

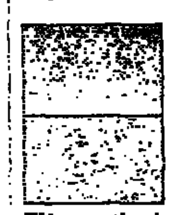
Grand Metropolitan, the BBC and Zeneca are among those attending what the organisers hope will become an annual event.

Saleroom

More than 500 works by Man Ray, a seminal creative force of the first half of *the 20th century, go on* sale at Sotheby's tonight and tomorrow. They were the contents of his Paris studio and include paintings, objects and photographs which illustrate his quirky imagination. A Surrealist painting is likely to make the top price of £800,000, in an auction which should exceed £3m.

THURSDAY 23

EU team arrives in Ankara



Foreign ministers of Germany, France, Spain and Hans van den Broek, EU foreign affairs commissioner, meet Turkish officials as part of the EU's enhanced political dialogue with Ankara (to March 24). The EU recently signed a customs union *agreement with Turkey. Human rights* and democracy, as well as trade issues, will dominate the agenda.

FT Survey

Geneva.

Holidays

Pakistan (National Day).

FRIDAY 24

Hillary Clinton tours S Asia

Hillary Rodham Clinton embarks on a five-nation two-week tour, representing her husband, President Bill Clinton, in India, Pakistan, Bangladesh, Nepal and Sri Lanka. It is the first extended solo journey by a US first lady since Rosalynn Carter *went to* Latin America in 1977.

US, N Korea in nuclear talks

The US and North Korea will resume negotiations in Berlin on the supply of *light-water* nuclear reactors to Pyongyang as promised under a bilateral nuclear accord signed last autumn. North Korea is threatening to scrap the agreement if the US insists that South Korea should build the new nuclear reactors. A contract for the nuclear reactors must be concluded by April 21 under the agreement.

FT Survey

Bangladesh.

SATURDAY 25

Strike call on Karachi killings

Violence between rival gangs in Pakistan's commercial capital has left almost 1,200 people dead since the beginning of last year. The Federation of Pakistan's Chambers of Commerce and Industry, the *country's top business grouping,* has called for businesses to close nationwide today in protest at the failure of Benazir Bhutto's government to restore peace to the city.

Peasant protest

Romania's National Peasant Party is to hold a protest meeting accusing the *government of block reinstatement of* property.

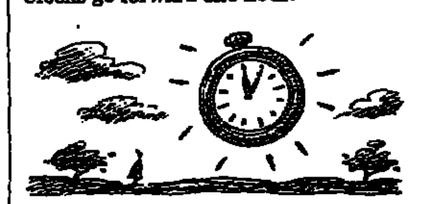
SUNDAY 26

Schengen due at last

The much delayed Schengen accord eliminating frontier controls between seven of the European Union's 15 members comes into effect. France, Germany, Spain, Portugal and the three Benelux countries *are expected to be joined shortly* in the free-movement zone by Austria.

British Summer Time starts

Clocks go forward one hour.



Motor racing

The Brazilian Grand Prix is run at Interlagos.

Compiled by Patrick Stiles and Ian Holdsworth. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Tuesday: Amid the continuing currency turmoil, markets will have a feast of European data to watch this week.

The UK trade data with non-European Union countries is expected to show that the deficit is widening – a factor that could weaken sterling further.

German money supply data will be watched closely for clues about whether waning inflation pressures might permit further reductions in German interest rates, thus easing the pressure on weaker currencies.

Wednesday: The release of the minutes of the February monetary meeting between Eddie George, governor of the Bank of England, and Kenneth Clarke, UK chancellor, will be examined for clues about the factors that triggered the last UK base rate increase in February.

Thursday: German cost of living indices will be watched for signs of inflationary pressure. UK inflation data is expected to show a small rise *in the yearly growth rate.*

Friday: UK gross domestic product data are expected to show the current account returning to deficit again, after going into surplus in the third quarter of last year.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Mar w'sale price indx, 1st 10 days	-	0.0%
March 20	Japan	Jan coincident indx	60%	85%
	Jan	Jan leading diffusion indx	70%	72.7%
	UK	Feb M4*	0.5%	0.3%
	UK	M4**	4.1%	4.2%
	UK	Feb M4 lending	£4bn	£4.5bn
	UK	Feb bdg scty new net commitments	£2.9bn	£2bn
	Canada	Jan retail sales*†	0.1%	0.7%
Tue	US	Feb Treasury budget	-$40bn	$15.1bn
March 21	US	Johnson Redbook w/e Mar 18	-	0.2%
	France	Dec current a/c†	FFr7bn	FFr1.3bn
	UK	Feb trade balance, ex-EC	-£400m	-£303m
	Canada	Jan wholesale trade*†	1.1%	1.6%
Wed	US	Jan trade bal, goods & services	-$8.5bn	-$7.3bn
March 22	US	Jan bal pay, goods/services exports	$62.5bn	$63.6bn
	US	Ditto, imports	$71.5bn	$70.9bn
	France	Feb consumer price indx final**	-	1.7%
	Canada	Jan merchandise exports*†	2.5%	4.5%
	Canada	Jan merchandise imports*†	2.4%	5.9%
	Canada	Jan merchandise trade surplus	C$2.3bn	C$2.1bn
Thu	US	Initial claims w/e Mar 18	340,000	343,000
March 23	US	State benefits, w/e Mar 11	-	2.5m
	US	M2 w/e Mar 13	$2.1bn	-$2.5bn
	France	Feb household consumption*†	0.6%	-1.9%
	UK	Feb retail price indx*	0.6%	0.0%
	UK	Feb retail price indx**	3.4%	3.3%
	UK	Ditto, ex mortgage int payments**	2.6%	2.8%
Fri	US	Feb durable orders	-0.5%	1.1%
March 24	US	Feb durable shipments	-	0.9%
	France	Jan trade balance†	FFr8bn	FFr12.7bn
	UK	4th qtr GDP***	0.8%	0.8%
	UK	4th qtr GDP**	3.9%	3.9%
	UK	4th qtr real pers dis'able income**	-	1.5%
	UK	4th qtr savings ratio	10.1%	10.5%
	UK	4th qtr current a/c	-£0.9bn	£0.8bn
	Canada	Feb consumer price indx, all items**	1.7%	0.6%
	Canada	Ditto, ex foord & energy**	1.5%	-
During the week...				
	Japan	Feb department store sales**	-	-5.7%
	Japan	Mar trade bal, 1st 10 days	-	$3bn
	Germany	Feb M3 from 4th qtr 94 base	-2.5%	-5.9%
	Germany	Feb M3 from 4th qtr 93 base	4%	4%
	Germany	Feb priv sect lend'g 6-m annualised	7%	7.1%
	Germany	Feb Ifo business climate	-	105.1
	Germany	Mar prelim cost of living*	0.2%	0.4%
	Germany	Mar prelim cost of living**	2.4%	2.4%
	Germany	Jan capital a/c	-	-DM8.2bn
	N'lands	Jan producer price indx**	3.2%	3.4%

*month on month, **year on year, ***qtr on qtr, †sees adj *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

No.8,715 Set by VIXEN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 30, marked Monday Crossword 8,715 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 3. Please allow 21 days for delivery of prizes.

Name..

Address..

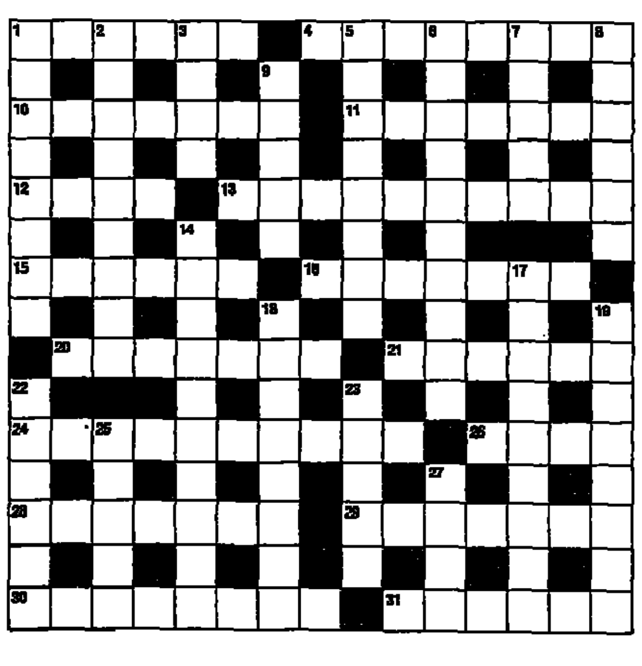
....

ACROSS

1 See in a relation and leave (6)
4 Cheers as one put inside does (8)
10 Object getting a tiresome fellow to admit corruption (7)
11 Make much of general misrepresentation (7)
12 Instrument taken over by a trainee (4)
13 Criterion for a Shakespearean role (10)
15 A dim-witted person about fifty – one really dim (6)
16 Seeks poisoners without hard feelings (7)
20 Hearing dreadful noise going around the ship (7)
21 A town's ring-road, complete (6)
24 Cooking and icing it for showing (10)
26 There's not a great deal of variation in such singing (4)
28 Don't have an arbitrator come down (7)
29 Like to settle on excellent weapon (7)
30 Harped on, so getting sweet things in retirement (8)
31 1 ac. is to appear as a winger (4,2)

DOWN

1 A page with little desire for food (8)
2 A game soldier given a direction to convey regret (9)
3 Born dunderhead's requirement (4)
5 Gloomy because of certain players (8)
6 Most attention-seeking yet least self-confident after upsetting pals (10)
7 Musicians won't rush to perform so (5)
8 Oriental copper about to marry in this country (6)
9 A good swordsman, though a bad shot (5)
14 New students being superior (5,5)
17 To look over clever is a bloomer (9)
18 Go on once unit gets reorganised (8)
19 The person wanting everything just right thought to tip (8)
22 Measures a little split resulting from careless handling (6)
23 Open a continental-style drinking-place (5)
25 Fed-up with hesitation expressed – put off (5)
27 Lies about a piece of land (4)



Winners 8,703

N.G. Hanson, Abbotsbury, Dorset
G.P. Datta, London W4
D. Ibbotson, Letchworth, Herts
Tu Pham Long, Dunstable, Beds
A.E. Thompson, Portsmouth, Hants
Mrs C.A. Twigg, Albertville, France

Solution 8,703